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THE INDEPENDENT

No 3,198

MONDAY 20 JANUARY 1997

WEATHER: Windy with showers

(IR45p) 40p

THE TABLOID

Stars with
Berkshire in
their eyes



THE TABLOID

Neil Lyndon:
do we need a men's
movement?

COMMENT

Polly Toynbee:
Why I trust
Jack Straw



Thousands welcome Arafat in Hebron



Flying the flag: Yasser Arafat arriving in the divided city of Hebron yesterday. Photograph: Jerome Delay/AP

Hebron — By midday yesterday 25,000 people from Hebron were waiting on a hilltop which is crowned by the square fortress that used to be the Israeli military headquarters to greet the white helicopter carrying Yasser Arafat on his first visit to the city since the Israeli withdrawal.

"It is the beginning of the end of the occupation," said Suleiman Khatib, a retired teacher who had put on a pin stripe suit to celebrate Mr Arafat's arrival. At the end of the day the 400 Israeli settlers, who hold a fifth of Hebron, were "just a drop in the sea compared to the 130,000 Palestinians here," he said.

Not that Mr Khatib believed Hebron's troubles were over in the short term: "The settlers see their dream [of taking over Hebron] is dying, and everybody will resist death." He feared an attack. Others in the crowd said they were happy rather than euphoric. Ghassan Shashin was glad that Hebron university, where he taught computer science, was open again after nine months.

"But if there is no Palestinian state and Hebron stays an isolated canton like Nablus and Ramallah, there will be no peace," he said.

Speaking from a balcony in the military headquarters an ugly building built during the British Mandate, the Palestinian leader was in a conciliatory mood. "I tell settlers we do not want a confrontation," Mr Arafat said. Palestinian women prisoners would be released in a few days. So would Sheikh Ahmed Yassin, the blind leader of Hamas, the Islamic movement, who is held in an Israeli prison. He said: "He-

Leader sees city
as a springboard
to separate state,
writes Patrick
Cockburn

bron is a springboard ... so that we can establish our independent Palestinian state."

In his office in the centre of Hebron, Khalid Amayreh, an Islamic commander who has little sympathy for Mr Arafat said that feelings in the city were ambivalent: "Remember that 70 per cent of people in the city have known no ruler other than the Israeli army." He did not think that the settlers were planning another massacre, like that of Baruch Goldstein who killed 29 worshippers in the mosque in 1994. "But they may start a reign of terror to drive people out of the Casbah [the old covered market] in the Old City," he said.

Traders in the narrow streets of the Casbah, which remains under Israeli control, were worried. Jamal Maraga, selling embroidered dresses and sheepskin coats, said: "If the [Israeli] army takes care of the settlers, then maybe things will get better. People are frightened of another massacre like that in the mosque."

So far the settlers are belligerent but appear uncertain what to do. Their children mutter "slimeballs" in Hebrew at

the foreign journalists. A Palestinian cameraman had a finger broken by a settler with a rifle. They reacted angrily yesterday to a speech by Jibril Rajoub, head of the Palestinian Preventive Security Service, who is moving his headquarters to Hebron from Jericho. He accused them of fomenting hate and suggested the city would be better off without them. "They are big stones on our chest and we have to take them off."

Ironically, Mr Rajoub is said by the Israeli press to have allocated plainclothesmen to shadow settler leaders to prevent them being assassinated.

A bizarre aspect of the security arrangements in Hebron, negotiated in 1995 and spelled out in the protocol signed last week, is that what has happened is very different from the accord. Officially there are 400 uniformed Palestinian police in the city. In practice security, with Israeli ascent, is largely in the hands of the Preventive Security Service — the militants of Fatah. Mr Arafat's political movement — who have another 1,000 men under arms.

Mr Amayreh says: "For every Palestinian policeman in uniform there must three who are not." Some Israeli collaborators have been rounded up and Mr Arafat's opponents wonder if they will be next in line.

Rafiq al-Natsheh, a member of the Palestinian Legislative Council, says a security clamp down would be dangerous because everybody in Hebron is a member of a tribe — his own is 20,000 strong — which will come to his defence. Mr Rajoub promises his men will obey the law.

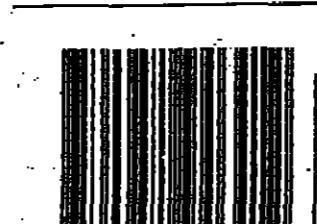
Albanian clashes
Thousands of Albanians who have lost money in failed "pyramid" saving schemes clashed with police during an anti-government rally in the capital, Tirana, in the culmination of four days of street protests.

Tolkien comes out top
J R R Tolkien's *The Lord of the Rings* is the greatest book written this century, according to a poll of more than 25,000 people conducted by the book chain Waterstone's and Channel 4's Book Choice.

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QUICKLY

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Labour to pledge two-year public spending freeze

Fran Abrams
Political Correspondent

Labour would freeze public spending for at least two years. Gordon Brown, the shadow Chancellor, will announce today. He will tell an audience of businessmen this afternoon that Labour intends to stick to the Conservatives' spending target until 1999 at the earliest.

Even ministers in cash-starved departments such as education and health would have to do battle with each other for an extra share of existing resources. Mr Brown will say. The traditional public spending round, in which ministers lobby the Chancellor for extra cash, will not happen this year if Labour wins the election.

"The first question for a Labour government will not be whether to spend an extra billion here or there, but whether we are using the existing £300bn total public spending efficiently and in a way which meets Labour priorities," according to sections of the speech released last night by Labour: sources in a move to underline the importance of the announcement.

The total public spending in 1997-98 would be £266.5bn under Labour, rising to £273.7bn in 1998-99 as detailed in Mr Clarke's plans.

In the first year of a Labour government, each minister would be expected to review spending priorities in his or her department. Mr Brown will announce a cabinet sub-committee which would examine the results of this process in an exercise which would replace the normal public-spending round.

Although the party is not ruling out some shifts of cash between departments in 1998-99, sources stressed last night that ministers would need to prove their case dur-

BA chief on Blair guest list for executive dinner

The chief executive of British Airways, Robert Ayling, is among a group of prominent businessmen who have regular dinners with Tony Blair. Labour confirmed last night, writes Fran Abrams.

The news comes as British Airways is embroiled in a row with its unions over plans to sell off large sections of its operation, expected to lead to the loss of thousands of jobs, and as it prepares for a battle with Brussels over its planned alliance with American Airlines. Although the Government has indicated its approval of the idea, the

company may need the support of an incoming Labour government.

In an interview in The Independent today, the firm's chief executive says he joined Labour for a year when he was his twenties but left because he was "horrified" at the daft things that were discussed.

Labour says Mr Ayling is one of a number of company heads who meet Mr Blair to talk about economic and competitiveness policy. Others include Niall Fitzgerald, chairman of Unilever, and David Sainsbury, of the store chain.

Robert Ayling interview, page 4
Tax hikes, Business, page 18

ing the review process. Mr Brown will say: "The remit of this comprehensive spending review will be to put our public spending principles into practice. At the centre of each is our commitment to shift resources from welfare to

education."

If the party comes to power, Mr Brown will announce a budget within six to eight weeks, which will impose a windfall tax on the former public utilities along with any other tax changes announced before the election. For example, should the party decide to go for a 50 pence top rate of tax for those earning over £100,000 it would be brought in then.

However, money raised through the windfall tax will be spent on get-

ting the unemployed off benefit and back to work. Although ministers will be able to shift money within their own departments in the 1997-98 financial year, they will have little scope to do so because detailed spending plans will already have been drawn up — for example, the bulk of the schools budget will already have been distributed through local authorities.

Labour has not yet decided whether to have another budget in the autumn or in the New Year, but when it comes it will stick broadly to the parameters set out by the Tories.

The shadow Chancellor will also announce a tough attitude to public sector pay rises, and will tell his

audience that settlements must come from existing departmental budgets. The approach will be "firm and fair", he will say.

Labour sources last night dismissed reports that the party would raise £10bn through its windfall tax as speculation, however. They will also be anxious to dispel the effects of new research published today by the investment bankers NatWest Markets, which presents a list of £34bn in tax increases which a Labour government could introduce within five years.

A further shift in Labour's policy on business is expected on Tuesday, when the left-leaning Institute for Public Policy Research publishes the findings of its Business Commission. The members of the commission include David Sainsbury, chairman of the supermarket group, and George Simpson, managing director of GEC.

Tony Blair has already hinted that the party is to change its stance on competition. Plans to subject all corporate takeovers to a new public interest test could be scrapped, he said last week, along with a planned merger of the Office of Fair Trading and the Monopolies and Mergers Commission.

As the party continues its effort to head off any possible speculation that it would form a "tax and spend" government, it also faces a crucial test in the House of Commons this week.

The party's deputy leader, John Prescott, will arrive home from a visit to China two days ahead of schedule in time for a crucial vote on the National Health Service on Tuesday. Labour hopes to use the occasion to inflict a defeat on the government, which is now in a minority of one after the death of the Meriden MP Iain Milledge.

Madame's big kiss on Monday

We had, as a precaution, gently terrified Charlie with tales of the formality of schools in France. The children, we told him, sit and walk in geometrical precise rows, just like the orphan girls in the Madeline books. They are obliged to learn long and complicated lessons by heart. Their manners are impeccable. The teachers are strict, though kind. But mostly strict.

His new school looks precisely the part: an austere, educational factory in nicotine-coloured concrete, occupying the length of a Parisian block. Two-year-olds are fed into one end and 18-year-olds emerge from the other. Charlie, who is seven next month, seemed uncharacteristically subdued on his first morning.

Almost nothing, it turned out, was as promised by his parents. Sybille, his class teacher, greeted him like a favourite nephew. First a big hug, then a kiss on the cheek, not a peck, but a long, intimate, sloppy embrace. Charlie was amazed. This had never happened in Putney.

He and his class-mates do sit in rows, but rather jumbled rows; they do learn some things by heart, mostly poems. They also do a great deal of singing and learning by touch and play. Their manners are not impeccable. Once released from their lessons, they are very pushy and sharp-elbowed. But they are, after all, little Parisians.

Charlie loves his new school, even though he has no more than a few words of French. His little sister, not quite three, who attends the preschool or *maternelle* department on the ground floor, is not so convinced. She loses the daily scramble for the one pedal car. She loves the interminable singing but is irritated that no one can understand her previously perfectly acceptable talking.

We are adjusting our stereotypes to coincide with reality: the school's bewildering alternation between officiousness and inefficiency, formality and warmth is, it seems, typique

français. Rules and lists and forms proliferate but, unlike Germany, not all need to be obeyed all the time.

Before moving to Paris, we had changed our minds several times about what to do with the kids. An international or bi-lingual school would have been easier for them. But children who go to such schools (however well run) can have the worst of both worlds. We were recommended to try a particular French school — Catholic, therefore private, but heavily state-subsidised and following the state curriculum — which is used to taking English-speaking kids.

Friends who have already been the same educational route warn that our children will learn not just to speak French, but how to be French.

But the intense Frenchness of the French education system is beginning to be criticised in France. Although a fine system in many ways, the critics say, the emphasis on a cultural education for the whole child is a disadvantage in the modern, globally competitive world. It turns out, they say, a nation of literate and argumentative people, full of self-esteem but with little sense of enterprise, except, maybe, how to get the last seat on the bus. Better, the critics imply, that France should be churning out a new race of computer nerds, like the US, or accountants, like Britain. I wonder.

After two weeks, Charlie still adores his school. He has a few more words of French. But is he learning how to be French yet? I was passing the time on the long, cold, hazardous walk to school the other morning by speculating aloud on possible French street names. The Rue de Remarques? The Rue de Noises? This previously gentle little boy looked at me pityingly and gave me a sharp, Gallic elbow in the ribs.

John Lichfield

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news

Massive search for girl

Prayers were said for Zoe Evans throughout Warminster, Wiltshire yesterday as police continued a massive search for the missing nine-year-old, who is now feared murdered.

In a poignant tribute at St John's, two of Zoe's fellow Brownies, lit a candle in memory of their friend, who disappeared eight days ago.

The Rector, the Rev Dennis Brett, said the close-knit community was in a state of shock.

Detectives yesterday spent a third day questioning a couple who were arrested on Friday. Police have refused to name the pair, despite widespread reports that they are Zoe's mother and step-father. Paula Evans, 28, and Miles Evans, a 23-year-old soldier. Detectives are still awaiting the results of DNA tests on bloodstained clothing which they believe belongs to Zoe.



Sad duty: Police and soldiers searching a field near Warminster yesterday for clues to the disappearance of Zoe Evans. Photograph: Reuters

Election countdown: 'Ministers preoccupied' as political rivals begin campaign

Tory pretenders jockey for position

Fran Abrams
Political Correspondent

The Tory leadership battle shifted up a gear yesterday as Stephen Dorrell was accused of courting right-wing support with plans to privatise the social services.

Mr Dorrell's colleagues moved to dampen the speculation, along with rumours that half a dozen present and former cabinet ministers are gathering campaign teams around them for the contest. Meanwhile, reports that the Secretary of State for Health is planning sweeping changes were in part confirmed by the news that a forth-

coming White Paper will look at ways of taking welfare out of the public sector.

Labour's campaign manager, Brian Wilson, said the proposal was evidence of inighting in the Conservative Party.

Mr Dorrell was on a mission to demonstrate that "contrary to appearances, the blue blood of Thatcherism is running through his veins," he said.

Mr Wilson added: "It has been another frantic weekend of jockeying for position from the Tory front-runners. This is the election campaign they are preoccupied with fighting."

He added that other Conservative leadership camps had been briefing journalists on tough questions that they could pose to their rival, Michael Howard, the Home Secretary.

Mr Howard was adamant, however, that no such contest was going on. Interviewed on BBC television, he rejected suggestions that he was one of a group of ministers already campaigning for the succession which is bound to take place if the Conservatives lose the election. Five other possible contenders have been named over the weekend. They are Michael Portillo, the Defence Secretary, John Redwood, former Welsh Secretary,

Michael Heseltine, deputy Prime Minister, Malcolm Rifkind, Foreign Secretary, and Ian Lang, President of the Board of Trade.

Mr Howard said: "Let me make it absolutely plain. There is only one campaign that I want to win and that is the campaign to win the general election. I hope that John Major will remain Prime Minister for a very long time."

Meanwhile the Health Minister, Gerry Malone, confirmed that there would be a White Paper on the social services in March, but would not say whether it would involve compulsory competitive tendering for welfare programmes.

However, he did say that existing projects involving private and voluntary providers had worked well: "It is a highly successful principle that this government has put into place. It would be ludicrous to suggest that we should not be looking for opportunities in all sorts of policy areas to expand it where it is sensible to do so."

Labour's health spokesman, Chris Smith, said: "The private sector does have a role to play and it is doing so up and down the country. But what isn't needed is a dictat from Whitehall saying that directors of social services have to put out every service that they provide to competition."

Ashdown would join a Labour Cabinet



Ashdown: attack on tribalism

John Rentoul

Paddy Ashdown, the Liberal Democrat leader, said yesterday he would accept a Cabinet post in a Labour government if it expanded nursery education, reformed the constitution and played a full part in Europe.

Responding to one of his MPs, David Alton, who accused him of "surrendering the independence of his party for... ministerial office", Mr Ashdown said on BBC TV: "Surely... we can now find a system... where if we agree with another party we're prepared to say, 'I agree with you about that' and work together in the interests of the nation."

Mr Alton, who is standing down at the election, wrote in the *Express on Sunday* that Mr Ashdown's policy of dialogue with Labour was hitting the Liberal Democrats in opinion polls and sap-

ping their strength in key areas. But Mr Ashdown said Tony Blair, the Labour leader, "may be" like him in wanting to get rid of the "destructive tribalism in British politics" and it made sense to work with him for things in the national interest.

Mr Ashdown did not rule out taking a Cabinet seat in a

Muslim leaders to offer voting advice to faithful

Paul Vallely

Muslims leaders are about to enter the political arena with a document intended to guide Britain's two million followers of Islam on how to vote at the general election. At its heart will be demands for policies to strengthen the family and to combat the decline in moral standards, which imams see at the heart of the problems of contemporary society.

The pamphlet is based on the example of the "Common Good", a similar document published in autumn by the Catholic bishops of England and Wales and which was interpreted as giving the church's backing to Labour.

The Muslim announcement came hours after Church of England bishops pledged to comment frequently on the ethical basis of political issues

between now and the election.

News that the Council of Imams and Mosques of Great Britain was working on its own document was given by its chairman, Zaki Badawi, in Cambridge on Friday. Economists, theorists and theologians gathered to formulate a response to the "Common Good", which endorses Labour policy on a minimum wage and attacks a Tory legacy of internal markets in health and education, contract culture, quangos, the undermining of a public-service ethos and the widening gap between rich and poor.

"The 'Common Good' is based on Islamic principles," Dr Badawi said. "No Muslim would object to most of what it says. But it did not focus enough on the family. Our document will not tell people who to vote for, but what to vote for, and will have a very extensive

section on the family. The Muslim family is stronger than most families in the West but it is under threat." The place of women was a key concern. Muslim family stability had been based on exploiting women, he said, so if secular society was to give Asian women more rights "we have to look at what changes need to be made to the family".

Anglican bishops met last week to discuss the election. On Friday they said in a statement that in voting Christians should be "advocates for those excluded from access to well-being or influence in society". They singled out the homeless, the unemployed, the old, the mentally ill and the Third World poor. "We intend to discuss and question the theological and ethical principles at stake in the election..."

Essay, page 14

Child abuse victims in battle for damages

Roger Dobson

More than 40 writs for damages for alleged maltreatment of children in care will be issued within the next few weeks.

The writs, seeking compensation for physical, sexual or emotional abuse, as well as maltreatment, will be issued against the former Clwyd and Gwynedd county councils in North Wales by lawyers representing ex-residents of a number of homes.

the manner in which they run, supervised and monitored their community homes. The plaintiffs will say that as a result of the lack of monitoring, supervision and training of the staff in the home, an environment was created in which the abuse could evolve and continue over a very long period of time.

This disenfranchisement put them in position where they were not able to complain about the abuse. For example, when

they complained they were treated as children in care who were not to be believed."

He added: "As a result of the abuse, they have suffered and continue to suffer deep-seated psychological problems which affect the way they deal with their own lives."

News of the writs comes as final preparations are made for the North Wales judicial inquiry into alleged abuse of children in care which begins tomorrow.

The inquiry, the biggest of its kind in Britain, is expected to take a year and the first few weeks will be taken up with hearing the evidence of the alleged victims of the abuse. A total of 175 have made statements so far.

Later in the year the tribunal will hear witnesses who have been accused of abuse. Each has received a letter from the tribunal outlining the allegations made against them. Up to 80 may give evidence.

Lawyers for the alleged victims have rejected allegations that some claims of abuse may have been prompted by the prospect of damages.

Mr Utal said: "To pursue a claim like this involves a lot of trauma and is not undertaken lightly. The driving force of these individuals who have claimed they were abused is not compensation, it is wanting to know that what they were put through has been recognised."

significant shorts

RC head calls for IRA to halt violence

The head of the Roman Catholic Church in Ireland last night challenged the IRA to have the courage to halt its violence and seek a negotiated settlement in Northern Ireland.

The call by Archbishop Sean Brady came after two police officers and a motorist narrowly escaped death in a double mortar bomb attack in County Down, and a police patrol foiled a similar attack in Londonderry.

Archbishop Brady said: "I think it takes great courage to negotiate, probably more courage than maybe to do acts of violence. I would appeal to people to think about that. There is no road through violence... The only way forward is through dialogue and negotiation and it will have to come some day."

Two mortar bombs were

Teaching unions split over pay offer

An improved pay offer to more than 100,000 higher education staff ranging from porters to professors could split unions which have campaigned jointly over the past seven months, it emerged yesterday.

The offer of a 7.3 per cent rise over two years to manual workers and 5.8 per cent for academic staff has met with a mixed response from the eight unions, which staged an unprecedented one-day pay strike last year.

Manual unions – including 5,000 Transport and General Workers Union members – were believed to be happy with their offer but academic union officials had "severe reservations". The unions were consulting members ahead of a joint meeting later this week to decide their next move.

Concern over CS spray use

Merseyside Police Authority is to prepare an emergency report to put before a police complaints committee in March after receiving 24 allegations of improper use of CS spray.

The canisters, which spray a liquid that turns to gas as it hits skin, were introduced last November 1996, after first being tested in March.

Merseyside officers have used the spray at 40 incidents since 25 November and 205 times since last March.

Chairwoman of the complaints committee, councillor Sarah Norman, said: "We are very concerned about the high level of concern among authority members. We are aware that some people are taking legal action and we will take this matter very seriously."

Radar sees road ahead

Scientists at German Daimler-Benz are developing a radar for cars that can "see through" the vehicle in front and warn when it is dangerous to overtake. The 37-hour week, which brings the workers into line with white-collar staff, is coupled with productivity improvements. Jack Dromey, national officer of the Transport and General Workers' Union, said: "Our breakthrough on working hours cut by two hours.

The 6,000 Ministry of Defence workers include employees at the Fleet Maintenance Repair Organisation in Portsmouth, the Naval Air Arm Establishment at Fleetlands in Hampshire and the Army Repair Workshop in Duxford, Shropshire.

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news

Don't work for us, urges BA's least favourite executive

Politics is a bit like football, according to Bob Ayling, chief executive of British Airways. "If your father is a Chelsea supporter, you tend to inherit it to some extent." Apart from his devotion to "The Blues", his father also supported Labour.

While his years in the civil service taught him to be "professionally non-political", Mr Ayling is known in the City as a "left-wing capitalist". A member of Labour for a year in his 30s, he left because he was "horrified at the daft things that were discussed". Like his friend Jack Straw, Labour's home-affairs spokesman, Mr Ayling would almost certainly find a political home in the outer, right-wing reaches of the Blair camp - yesterday the party confirmed that he is among a group of prominent businessmen who regularly dine with Tony Blair.

"I know what's needed to be economically successful, but I also understand some of the social implications of life: what affects ordinary people," he says.

You could have fooled some of his employees. He has been taken aback by the fury engendered by his radical "Business Efficiency Plan" to save BA £1bn in three years to keep prof-

Barrie Clement meets the 'left-wing capitalist' who is trying to slash 5,000 jobs at the airline

its rolling in. On a visit to assess morale, he asked a stewardess how she felt about his strategy. She belaboured him for an hour about the 5,000 redundancies he is seeking; about pay cuts he is demanding and about deteriorating conditions. The £565,000-a-year Mr Ayling was accused of ignorance about the misery he was causing.

What baffled the stewardess most was the need for massive cost-cutting in the wake of record profits. Mr Ayling, whom even union officials describe as "charming", did his best to reply. Eventually however he retired from the fray with as much dignity as he could muster. "I believe in being straightforward with people and I don't expect them to be deferential," he says.

Posters on BA noticeboards show deference is in short supply. In some he is compared with Hitler, in another he is found guilty of crimes against BA employees: "Lock him up and throw away the key." He concedes that as far as his staff are concerned, he is not the world's favourite chief executive.

But he believes BA faces a tidal wave of competition fostered by deregulation; he says cost-cutting and efficiency improvements are vital to ensure not only the profitability of the company but its survival.

Shareholders and analysts

expect £1bn profits by 2000, says Mr Ayling and, with mounting costs, BA will fail to achieve that without efficiency measures. "People at BA have not been affected by the recession like employees in other businesses. Other people have lost their jobs, their businesses and their homes. They don't know how people are treated in other industries. I feel for every one of them, but I do sincerely believe that unless we achieve an improvement in our competitiveness, the dangers we face will be far greater than the effects of the changes." It is not as if BA is a bad employer, he argues.

Labour turnover is negligible – less than 2 per cent leave a year – and severance payments are among the most generous in British industry. Although he does not rule it out, compulsory redundancies are not envis-

aged. Mr Ayling, 50, has an unconventional background for a captain of industry. At 16 he had to leave a fee-paying school after the failure of his father's grocery business in south London. He was articled to a solicitor

and at 24 he was a partner in a practice. At the age of 37 he was an under-secretary at the Department of Trade and two years later was poached by BA. He was successively legal director, company secretary and director of human resources. Just over a year ago he was made group managing director.

He insists he is not in sway to some fashionable management philosophy. "I don't read books about management. Most of them are extremely badly written."

Mr Ayling's plan bares comparison however with the changes wrought at the BBC by John Birt. At its most basic, an organisation should examine what it needs to do "in-house" and consider farming out the

rest. Mr Ayling has mulled over such an approach with Mr Birt in Cricklade, a village near Hay-on-Wye, where they both own retreats. At BA, Mr Ayling and his board have undertaken such an exercise to see which services can be "outsourced" but have yet to come to final conclusions. Hence the uncertainty and alarm.

In one poster he is accused of running the company through "stealth and fear". He prefers to think he is "open and honest". The openness has not extended however to strategy drawn up by the company in case of industrial action in protest at his plans. Some of his executives are talking of a "Day Zero", in which new condi-

tions are imposed on the workers. Hundreds of managers have already been trained to take over the jobs of their ground-staff subordinates.

Despite his reputation, in the City at least, as a caring capitalist, Mr Ayling does not believe the concept of "fairness" has a place in boardroom deliberations. "In a way, what we're doing isn't fair. In the same way as it's not fair that nurses in the NHS are not paid more than they are, which we'd all like to see, just because we're human beings. We don't sit down and consider whether decisions may be fair or not. We try and find out how we can make people fly in our aeroplanes rather than other people's."

Photograph: John Rees

Turbulent flight: BA's chief executive, Bob Ayling, who has been taken aback by the fury over his 'efficiency' plan

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City 'superwoman' supports Labour

Jill Treanor
Banking Correspondent

Nicola Horlick, the City "superwoman" who shot to fame last week when she went to great lengths to be reinstated in her £1m-a-year job, emerged as an unlikely supporter of the Labour Party at the weekend after revealing her ambition to become an MP.

However, her aims are unlikely to be achieved at this general election as Labour sources said she did not appear to be a party member and explained that only six seats were left for selection.

Her assertion that she was already an adviser on taxation to Labour failed to be confirmed by the office of Gordon Brown, the shadow Chancellor, last night. A source at his office said no one had heard of her.

The *Sunday Express* quoted Mrs Horlick as saying: "I hope that Tony Blair will win the election."

"In a democracy it is wrong for the same party to stay in power

for so long. I believe Mr Blair's policies are extremely sound and what the country needs."

Mrs Horlick, who is dubbed superwoman for her ability to combine her hectic family life – she has five children and an investment banking husband – and her demanding job as a pension fund manager, withdrew from the glare of the press yesterday to attend a family party.

She has also been advised not to talk any more about her argument with her former employers, Morgan Grenfell Asset Management, in case it jeopardises her lawsuit and the ongoing internal investigation by the company. This followed a number of days of intense media attention after one of the biggest rows ever seen in the City over a resignation.

Mrs Horlick gained enormous publicity, with the help of Anthony Cardew, a financial public relations adviser in the City, for her attempts to get that said.

Mr Cardew said he was surprised by the amount of publicity the events of last week caused. "If she had been a man it would have taken one and a half paragraphs on one day. It really has been blown up out of all proportion," he said.

On Friday she stormed to the London offices of MGAM be-

fore flying to Frankfurt to demand back her job from the parent company, Deutsche Bank. She denies MGAM's allegations that she was attempting to poach a team of fund managers from the firm despite being offered promotion the previous week.

She has also appointed John Farr, a leading lawyer at Herbert Smith, to pursue a claim from the firm, which could run into millions of pounds, for unlawful dismissal.

Sources warned the publicity would not help her gain employment again in the City although one friend asserted that she was "hot property". "She's the sort of person who would be offered jobs pretty regularly," the friend said.

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Morgan's battle, page 18

Labour steps in to select Shore's heir

Fran Abrams
Political Correspondent

The Labour leadership has stepped in to impose a shortlist on the east London seat which was the last to be told it must select from an all-female list.

Bethnal Green and Bow Labour Party, which was about to select from an all-women shortlist when an industrial tribunal ruled that the process was illegal, must now send all its applications to Walworth Road for approval.

Members in the area, where the sitting MP Peter Shore is retiring, expressed anger and disappointment at the move last night. There were rumours that the leadership wanted either to exclude one of the local front-runners or to include a candidate of its own choice.

Among Labour hopefuls still looking for a seat is Alan Howarth, the former Conservative minister who defected. However, party sources have denied that they would force the seat to take him.

At a meeting last week, officials from Labour London regional office told local members they would not be allowed to draw up their own shortlist from nominations, which is the normal practice.

Instead, more than 100 people who have expressed an interest in the seat will be asked to send in CVs, which will then be passed to the National Executive Committee. A One-Member-One-Vote ballot will then be held in the constituency based on the NEC's shortlist.

This is the third time that Bethnal Green and Bow Labour Party has tried to select a candidate to replace Mr Shore. The process was halted in November 1995 when an all-women shortlist was imposed and again in January 1996, when a tribunal ruled that such lists were illegal.

There had been rumours that the party leadership wanted to prevent the deputy leader of Tower Hamlets council, Rajan Jalal, from standing. Mr Jalal was once suspended from

the party over allegations that he once accused a former council leader of inciting racial hatred – a charge which he denied.

Last night Mr Jalal said he still hoped to be on the shortlist for the seat and dismissed rumours about his chances as the work of opponents. "I am angry the selection has taken so long, and I am angry that people are only getting half of democracy. But in the end I am happy some sort of selection is happening and that the membership will have a vote," he said.

The constituency secretary, Julian Sharpe, said: "The feeling at the meeting was of disappointment and not a little anger. The reason they have given is that the election could be called at any time and they want a candidate in place by the end of February."

A Labour Party spokesman said Bethnal Green and Bow was one of six seats which had not yet selected a candidate. None of the others had been told it was to have a shortlist imposed on it, he said.

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Designer takes the bridal path to wow Paris shows



The French designer Gerard Pipart celebrating the end of the Nina Ricci haute couture show in Paris. Elsewhere, there was a muted reception yesterday for the first show for Givenchy by the British designer Alexander McQueen. He took over the prestigious name last year. Photograph: AP

Low blood stocks pose threat to operations

Joanna Snicker

Blood stocks are at a potentially critical level despite the success of the pre-Christmas donor campaign, it was revealed yesterday.

The National Blood Service (NBS), which runs transfusion centres, warned that another cold spell or a sudden demand on the blood stocks could have serious consequences, including the cancelling of operations. At present supplies of blood are at 12,000 units which is more than half the maximum stock reached before Christmas.

Peter Gibson, head of communications for London and the South-east, said this year was unique because of the juxtaposition of a severe weather spell

and a flu outbreak. "There has been a 50 per cent drop in supplies in three weeks. The severe weather meant sessions were cancelled, pipes burst, vans got stuck and demand just jumped within two to three days."

Transfusion centres in London and the South-east, which supply 40 per cent of the national blood supply, were yesterday down to a third of their usual supply of the most common group - O positive.

"If it doesn't pick up there is potential disaster," he said. "It is really important that hospitals don't close. People only respond when there is a problem, but every year hospitals need more blood."

Only 5 per cent of potential donors give blood although be-

fore Christmas, the NBS registered the highest ever blood stock at 25,000 units in the wake of a highly publicised advertising. The London campaign was the most memorable using a seven-year-old boy who had undergone 22 operations in the past two years.

The National Blood Authority, which oversees the distribution of blood across the country, yesterday denied that the situation was critical. "The position is tight. More people are needed to come forward," said a spokeswoman. "But we are not at that stage yet. We are managing to keep up and we are meeting hospital demand."

The National Blood Authority can be contacted on 0345 711711.

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Cyberspace – final frontier for EU taxman

Ian Burrell

A revolutionary new "information tax" on television, faxes and use of the Internet is being examined by the European Union.

An EU working party is attempting to establish how much revenue could be generated from a "bit tax", charged on the transmission of "bits" of digital information.

Professor Luc Soete, chairman of the EU's high-level experts group, claims the new tax would transform the economies of member states. "The global way we can consume is undermining our national consumption taxes, and we should therefore move into other directions and find new tax systems," he says in an interview tonight on BBC2's *The Net* programme.

"The idea is to start with a 'bit tax'. You charge a small amount, a cent of a dollar for every megabit."

Tax collectors across Europe are concerned that they are being increasingly bypassed as global transactions and purchases of information are made with new technology. Under a bit tax, every fax transmission, telephone call, use of the Internet or use of digital television could be logged and taxed.

Among those who have been involved in the debate is Professor Ian Angell, of the London School of Economics. He said that huge amounts of tax revenues were being lost as traditional forms of trading were abandoned.

Forecasts for revenues from both VAT and income tax are not being attained. The US estimates that \$3bn (£1.8bn) has been lost as American consumers make Internet purchases from mail order companies.

Professor Angell said: "Bit tax is one of the targets of the taxman to somehow drag back some of the tax base he has been losing in cyberspace. You have got cross-border data flows which are bypassing VAT."

"The EU has been discussing this and Customs and Excise have been looking at it. I gave a talk to Customs last year and they said they were looking at the feasibility of a bit tax. They are obviously very worried that the tax base is being reduced."

Professor Angell believes, however, that there would be great difficulty in introducing such a tax because so much transmitted data does not have any commercial value.

Neil Barrett, author of *The*

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	£500 to 4,999	3.95	3.16
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	£10,000 to £24,999	2.40	1.92
	£5,000 to £9,999	2.15	1.72
	£500 to £4,999	1.90	1.52
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international

Albanian turmoil: Clashes sparked by catastrophic collapse of phoney saving schemes bring chaos to the capital's streets

Broken heads follow fury at bank scam

Andrew Gumbel

Thousands of Albanians who have lost their money in failed "pyramid" saving schemes thronged into the main square of the capital, Tirana, for an anti-government rally yesterday, only to be beaten back by police who lashed out at the crowds with truncheons and smashed up the stage and sound system being used by opposition leaders.

The incident was the culmination of four days of street protests in Tirana and other big cities sparked by the latest banking collapse. It raised the political temperature higher than it has been since opposition leaders were beaten up in the wake of last May's rigged general elections.

Several demonstrators stumbled away from the rally with bloodied faces. People closest to the opposition leaders in the centre of Skanderbeg Square were the most roughly handled, as plainclothes officers swooped in to stop the speeches. The thousands of uniformed riot police who ringed the area were less brutal, partly because many have lost their savings too.

The pyramid schemes, which have thrived over the past four years in the absence of a conventional banking system, offer extraordinarily high rates of interest on hard-currency deposits – more than 10 per cent per month. But they rely on depositors coming forward to keep going. Hundreds of thousands of Albanians have entrusted their last assets to them

in the hope of getting rich quick, but without asking themselves how the banks operated and how long they were likely to survive.

President Sali Berisha has taken pains to dissociate himself from the schemes in the past few days, but it is inconceivable that they could have operated without the government's active approval.

In Serbia, where pyramid schemes thrived in 1992-93 before disappearing overnight, they were a perfect vehicle for money-laundering and illegal government manipulation of people's savings.

Like Slobodan Milosevic's Serbia, Albania has a heavily clientelistic economy that is strictly controlled by the country's political leadership.



Bloodshed: An anti-government demonstrator injured by police is helped from Tirana's main square. Photograph: AFP

With Serbia's street revolution very much in the news in Albania, many of yesterday's demonstrators used the occasion to vent their fury at the government. "Down with the dictatorship!" was a common cry. "First the government stole our votes, now it is stealing our money," was another.

Albania has effectively been a one-party state since last May's fraudulent elections and the opposition has refused to take up the few seats it was grudgingly offered. The European Union has been reluctant to call President Berisha to order as it feels it needs him to exert a stabilising influence on Albanians in Kosovo and Macedonia. It also fears a return of the Socialist Party, heirs to Enver Hoxha's Communists.

significant shorts

Bulgarians rally to new president

Tens of thousands rallied nationwide in support of President Petar Stoyanov, who was sworn in as Bulgaria's second democratically elected president.

The country's political rivals set aside their differences for the brief ceremony in Parliament to show respect for the man they hope can help resolve the country's political crisis as a prelude to urgently needed economic recovery. In his acceptance speech, Mr Stoyanov, 44, said Bulgarians want real market reforms and hope for a future that will encourage the country's young people to stay rather than following thousands who have emigrated in the past few years. AP - Sofia

US Navy gives new jets trial run

The US Navy landed its new FA-18E/F Super Hornet attack fighter on the deck of a carrier for the first time on Saturday in trials off the coast of North Carolina. The Navy plans to spend \$81bn (£50bn) on 1,000 of the new jets, which will replace the recently retired A-6 Intruder, the F-14 Tomcat and the older FA-18 Hornet.

The Russian air force is also in the process of completing tests on its new jet fighter, the Sukhoi Su-32, Icar-Tass news agency said on Sunday. Defence analysts speculate that it will replace Sukhoi's own Su-27 "Flanker", a mainstay of Russia's frontline forces since the early 1980s. AP/Reuter - Washington

Russia hopes to host games

The president of the International Olympic Committee was full of praise for his Russian hosts and St Petersburg, the city that seeks to host the 2004 Olympics. Juan Antonio Samaranch said Prime Minister Viktor Chernomyrdin "strongly recommended me to think about the candidacy of St Petersburg." Rome and Stockholm are considered among the front-runners to host the games. Other bidders include Athens, Buenos Aires, Cape Town, Istanbul and Lille. AP - Moscow

Africa leader suspended

The Common Market for Eastern and Southern Africa (Comesa) has suspended its secretary-general, Bingu Wa Mutharika, for alleged financial irregularities. A final decision on Mr Mutharika's status in the organisation is expected to be taken at a scheduled summit in March. Reuter - Lusaka

Stolen genitals trigger riots

Mobs in Ghana's capital Accra have beaten to death seven men accused of snatching penises by witchcraft, police said. Victims say alleged sorcerers touched them to make their genitals shrink or disappear in order to extort cash in the promise of a cure. Reuter - Accra

Heirs to Kohl's throne listed

The parliamentary leader of Helmut Kohl's Christian Democrats, who earlier this month mentioned himself as a possible successor to the Chancellor, named eight more possible contenders.

Wolfgang Schaeuble named Kurt Biedenkopf, premier of Saxony, Edmund Stoiber, premier of Bavaria, Finance Minister Theo Waigel, Defence Minister Volker Ruhe, Interior Minister Manfred Kanther, Education and Research Minister Juergen Ruetgers, Construction Minister Klaus Toepper, and former interior minister Rudolf Seiters. Reuter - Bonn

Presidential candidate dies

Former Massachusetts senator and Democratic presidential candidate Paul Tsongas died of pneumonia on Saturday. He was 55.

Mr Tsongas, Massachusetts senator who retired from Congress in 1985, ran for president in 1992, losing the Democratic presidential nomination to Bill Clinton who went on to defeat George Bush. Reuter - Boston

Obituary, page 16

Priest's crack offence

An Episcopal priest was arrested as he smoked a crack pipe while typing his sermon, and was charged with dealing drugs from his church, police said.

Only three weeks earlier, the Rev Chester LaRue had been hailed as a hero for fighting off two bandits. "Holy goodness," said a parishioner, Bill Graves. "I didn't even think he smoked cigarettes." AP - New York

FO 'wrong' over Nazi gold

The Foreign Office says it was wrong in claiming that Swiss officials had admitted the country was holding \$500m in Nazi gold at the end of the Second World War. It said the figure ought to have been \$60 million Swiss francs. AP - London

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Austria quits V

Never mind the January sales, here's the latest round of BT price cuts.

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	Evening	£1.93	£1.34	30%	£1.00
	Weekend	£1.80	£1.17	35%	87.6p
USA/Canada	Daytime	£1.49	£1.19	20%	88.6p
	Evening	£1.41	£1.13	20%	84.2p
	Weekend	£1.31	£1.05	20%	78.2p
France/Germany	Daytime	£1.78	£1.43	20%	£1.07
	Evening	£1.49	£1.34	10%	£1.00
	Weekend	£1.30	£1.17	10%	87.6p
Australia/New Zealand	Daytime	£2.73	£2.45	10%	£1.84
	Evening	£2.33	£2.10	10%	£1.58
	Weekend	£2.21	£1.99	10%	£1.49
Nigeria	Daytime	£6.56	£5.26	20%	£3.94
	Evening	£5.53	£4.95	10%	£3.72
	Weekend	£4.95	£4.45	10%	£3.34
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الدولار

Chirac bombshell for French justice

Paris — Within the next few days, President Jacques Chirac will appoint a committee to examine ways of overturning part of a French justice system unchanged, in its broad shape and principles, for over 1,000 years.

The committee will be asked to consider whether the state prosecution service — the *parquet* — should be freed from the interference and patronage of the central government. In terms of French judicial history, this is a startlingly radical idea: like tearing down a wing of Notre Dame cathedral and replacing it with a modern office block.

Mr Chirac announced before Christmas that he believed the sys-

tem, or at least one part of it, had had its day. Later, in one of his many New Year's declarations, he said the "legitimacy" of the present arrangement was open to doubt. He would personally appoint a committee before the end of this month to examine whether the prosecution service, now under the direct control of the justice ministry, should be set free. At the same time, he said, action must be taken to re-establish in France the much-trampled legal principle of "innocent until proven guilty".

On the surface, this was President

Chirac, *Le Bulldozer*, at his radical and reformist best. Although he and the Prime Minister, Alain Juppé, are often accused of fudging and tinkering, they have, in the space of less than two years, drawn up an impressive hit-list of national institutions and sacred cows, including the Franc, non-membership of the military wing of Nato, military service, the welfare system, the pension system and the health service.

None of these reforms has yet been fully carried out. Parliamentary elections are only just over a year away. Why should President Chirac abruptly end the judicial system to the political burden?

His announcement has drawn a suspicious and cynical response from his political opponents, parts of the press and from some senior figures in the legal system itself. Why, they asked, was Chirac appointing the committee of inquiry personally and not, as he originally promised, the justice minister, Jacques Toubon? Mr Chirac's sudden interest in judicial reform, they suggest, had little to do with public disquiet with slow and un-

certain justice at the grass-roots level, as the President claimed. It had much more to do with the score or more of criminal investigations now in progress targeting Mr Chirac's own close political cronies in the Gaullist RPR party and in the Paris Town Hall.

The investigations concern illegal party fundraising and direct personal enrichment. They are being conducted, not by the *parquet*, but by examining magistrates or *juges d'instruction*, who are already independent of the government. The distinction — and rivalry — between the two lies at the heart of the system which Mr Chirac wants to rebuild. In essence, a criminal investigation in France starts with the police and *parquet* and goes through a *juge d'instruction* before reaching other *juges* in the court itself. The system gives great freedom to the investigating magistrates but almost all the resources to the police and *parquet*, which may co-operate with the investigating *juges* or may not. It is alleged — by, amongst others, the *juges d'instruction* themselves — that political pressure has been exerted

on the *parquet* to impede the investigation of the President's friends.

On the surface, it is difficult to see how freeing the prosecution service from ministerial control would help the President or his allies — rather the opposite. It would make it harder for the government to place obstacles in the path of a campaigning judge.

But the President's critics credit him with greater subtlety than that. They say the reform committee is a shot-across the bows of the investigating judges. If the prosecution service were to be freed from political control, the next logical step could be to declare independent, examining judges superfluous and abolish them.

Opponents see hidden agenda in President's review of legal system, writes John Lichfield

Austrian chancellor quits while ahead

Adrian Bridge
Central Europe Correspondent



Franz Vranitzky: Ten years as a 'pin-stripe socialist'

Cold War. He said he also took pride in turning around the economy, transforming it from its depressed state in the 1970s into one of the strongest in Europe.

Internationally, one of the main things for which Mr Vranitzky will be remembered is his speech in 1991 in which he became the first Austrian leader ever to acknowledge publicly that many of his countrymen had welcomed and willingly worked for the Nazis following the 1936 Anschluss.

The last few years of Mr Vranitzky's chancellorship have been marred by ever-fiercer disputes with the OVP over what to do about the country's growing budget deficit and the impression he gave of having run out of steam and ideas.

He has also had to suffer the indignity of watching on as Mr Haider's star has risen and risen. Mr Vranitzky admitted yesterday that he had underestimated Mr Haider and that he should have done more to "unmask his [Haider's] strategy of demonising human beings".

Mr Haider sounded a more ominous note: "My prophecy that I would still be working for Austria while he [Vranitzky] would be long gone has come true." Reiterating his prediction that he will be Chancellor by 2000, Mr Haider said Mr Vranitzky's resignation was "one more important step in that direction".

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1980s. In the early 1980s, he was hard-hitting "Dead Man Walking" was how one magazine described him after his Socialist Party's disastrous showing in elections to the European parliament last October which saw it slip to less than 30 per cent — just two percentage points ahead of Jörg Haider's far-right Freedom Party.

Such attacks hurt. And it was clearly with some relief that Mr Vranitzky announced his long-predicted resignation on Saturday — effectively getting out while he was still (just about) on top.

After a press conference yesterday, Mr Vranitzky, the second longest-serving European leader behind Germany's Helmut Kohl, said he believed 10 years a power was long enough and that, at the age of 59, he wanted to make way for a younger generation.

Although the resignation had been widely forecast, it still came as a shock to Austrians, many of whom feel grateful to

Mr Vranitzky for being a calming influence in a decade of unprecedented change and who think his departure could herald the end of an era.

In the short-term, little is likely to change. Mr Vranitzky's designated successor, Viktor Klima, the 49-year-old Finance Minister, is set to pursue similar policies while setting about reviving the Socialists' flagging political fortunes. The Socialists' coalition partners, the conservative People's Party (OVP), were also quick to indicate that they want the current arrangement to continue.

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WHY THE BAAA MONOPOLY MUST STOP

BY SIR FREDDIE LAKER



Sir Freddie Laker, shortly before the collapse of his airline in 1982, when BA was a major shareholder.

Dear Prime Minister,

When, in 1982, my Skytrain was forced out of business, the British and American flying public lost out.

Transatlantic fares rose, because BA and the other members of the transatlantic cartel had little or no competition. The public had no choice but to pay the increased fares.

I know that my airline was sabotaged by aggressive and unfair tactics by BA and others, to which the authorities turned a blind eye.

After the event, the then Conservative transport minister Ian Sproat even said "I've got Freddie Laker's blood on my hands!"

Now BA and American Airlines are wanting to form a monopoly on transatlantic routes, which will allow them again to overwhelm other airlines, put their prices up, and force competition out of the market place.

Clearly, this can only be in the interest of BA and American. Leopards never change their spots!

For the following reasons, I believe the BA/American deal should be stopped.

Currently, the Office of Fair Trading are looking at draft undertakings which will limit the power of the merger.

The undertakings are mild, ineffective, and will still result in BA and American having a massive monopoly on transatlantic routes.

Monopolies in any other industry are illegal and are not in the public interest.

With such an overwhelming monopoly, the public and certainly other airlines will lose out again. There is no doubt that, like all monopolies, BA and American will use jugular marketing and other 'cartel' style price cutting, including 'dirty tricks' of the kind that drove Skytrain out of business. Then, as before, fares will skyrocket.

If, as BA and American claim, the merger will produce lower fares and create more competition, why are they seeking anti trust immunity from the US government?

Prime Minister, the answer is simple. They intend to 'fix' fares.

The Office Of Fair Trading's report on the merger currently recommends that BA and American must relinquish seven pairs of take off and landing slots per day on a permanent

basis for the seven carriers wishing to fly from Heathrow to the US.

That's one slot each. It's hardly going to lessen the power of the monopoly. BA and American will still control between 70% and 80% of the peak take off and landing slots.

Furthermore, in practice, BA and American are not obliged to give up actual transatlantic slots by the OFT.

Instead they could, for instance, give up European, or even domestic services, such as Plymouth to London!

This wouldn't diminish the power of the monopoly at all on transatlantic routes, though it might mean some UK cities losing their Heathrow flights.

What's more, BA are demanding that they be given the right to sell the slots, which in my and many other people's opinions is extraordinary. The slots belong to the people. We paid for them as taxpayers. Why should BA benefit whilst the real owners, the people, pay a premium for their own airport slots?

Meanwhile all this does is make the monopoly even more powerful by giving it huge amounts of extra revenue.

In conclusion, I believe both politicians and the public are currently being duped into thinking this monopoly will be less powerful than it actually will be.

This cosy cartel is an affront to fair play and equality. And, I believe, it is contrary to anti trust law.

BA and American Airlines must be made to compete on a level playing field with airlines such as Virgin Atlantic, United, and, indeed, the new Laker Airways Incorporated.

As the Consumer's Association said recently "We continue to hold the view that this alliance must be referred to the Monopolies and Mergers Commission, and must ultimately be blocked."

Please, Prime Minister, remember the past. Make sure this 'merger' is referred to the Monopolies and Mergers Commission.

Because, should it be allowed to go ahead, the British flying public will have to live with its dire consequences for many years to come.

Freddie Laker

Sir Freddie Laker.

Nation thirsts as politics muddies the water and drains the ancient rivers

Our award-winning Middle East Correspondent begins a series on life in Syria



Robert Fisk

Damascus

On Abdul Aziz al-Musri's desk, there is a Koranic quotation in magnificent Arabic script: "And tell them that the water is to be divided between them..."

The head of the international water bureau in the Syrian ministry of irrigation keeps a host of other theological instructions on file, along with historical water agreements stretching back to 3,600 BC, via the Iraqi kingdom of Hammurabi (1792-1750 BC) and four centuries of Ottoman legislation. On Mr Musri's wall, a large map appears to show the fruits of this collected wisdom: most of Syria coloured a dark, verdant green. But another set of files on his desk shows just how misleading maps can be.

For in the far north of his country – and it is a problem upon which Mr Musri spends almost every waking hour – the colour green is fading away. Four entire rivers, according to the Syrian ministry, have either dried up because the Turks have diverted the water courses north of the border, or been contaminated by massive pollution from Turkey. Mr Musri slides a pen down the mourn-



ful list on his desk. "The Jaijal river passes through our city of Hassake, he says. "It has dried up. "The el-Balih river virtually dried up five years ago when the Turks began using the underground water in the river's catchment area in Turkey. In summer now, the Sajur river runs out of water."

Mr Musri knows his job. He speaks fluent Turkish and two years ago completed a five-year assignment as first secretary at the Syrian embassy in Ankara. He has visited every Turkish dam on the other side of the frontier and participated in the major water resource conferences with Turkey. His

pen comes to rest on another river, the Qweik, which once ran south into the great city of Aleppo. "It is no more," he says.

Not quite. When I visited the area, I found something worse. The Qweik is now a fast-flowing open sewer, its stench drifting for miles across the barren fields. In Aleppo itself, the Syrians have been forced to merge the ancient watercourse, with its underground Roman water tanks and bridges, into the city's sewerage system.

"Just 13 months ago, the Turkish side started releasing polluted water in some of our joint rivers," Mr Musri goes on. "Sewage water and drainage

from the lands that carry industrial pollutants came down the al-Balih valley and we are still receiving this dirty water." And from a battered grey filing cabinet in the corner of the room comes another file, crammed with statistics of biological oxygen dissolve (BOD) measurements – a system of checking the purity of water. "In the normal course of events there should be only 2mg BOD per litre in a river – up to 40 if it is irrigation water. But we've done 300 analyses in the al-Balih valley and they show that BOD reached 500mg per litre. This has polluted the land – it's harmed the health of our farmers and their families.

and contaminated drinking water in the region."

Mr Musri, however, is a technical man. Ask him why the Turks are polluting the rivers and he replies: "It's a political question. From the technical side, we have all the information necessary to reach a joint agreement. The problem today is not so much the amount of water – though that has been a problem on the Euphrates when the Turks were filling their dams – but the quality of the water." All of which depends, it seems, on the quality of political relations between Syria and Turkey, a matter upon which Mr Musri did not wish to expand.

It is no secret, however, that Turkey's new military agreement with Israel – which allows Israeli pilots to fly in Turkish airspace along Syria's northern border – and Turkey's anger at Syrian support for Kurdish Workers' Party (PKK) separatists who are waging a brutal campaign in south-east Turkey, have brought relations between the Syrians and the Turks to their lowest point for many years. The PKK leader, Abdullah Ocalan, appears from time to time in the Syrian-controlled Lebanese Bekaa valley to issue ceasefire calls or bloodcurdling threats against his Turkish antagonists.

A series of small bombs that exploded in Syrian towns last year were probably the work of Turkish government agents, and reports of sniping by Turkish soldiers across the northern border have been confirmed by a Syrian security source. At one point last year, Syrian armour was moved north after reports of Turkish troop movements. Publicly, the Syrians do not speak about the lost lands around Alexandretta – ceded by the French mandate authority in 1939 in the vain hope of persuading Turkey to join the coming Allied fight against Hitler. But they have not forgotten.

And they are ever mindful of that most ancient of rivers that

In Aleppo, the ancient course of the Qweik river has been merged with the city's sewerage system. The Syrians say that the Turks have been polluting joint rivers with sewage and industrial drainage. The problem is described as 'political', not technical



flows from Turkey, the epic Euphrates whose waters slackened when Turkey built its dams to the north and are now, according to the Syrians, in danger of falling again as the Turks establish two new dams – at Birazik and Karkamish – for land irrigation. Birazik alone, Mr Musri says, is intended to irrigate 81,670 hectares of land. This means it will reduce our share of water in the Euphrates. Syria and Iraq are ready to sign a final agreement with Turkey to share the water of the Euphrates in an equitable way according to international law. But the Turkish side, till now, has not reached final agreement because it would like to have time to finish its planned projects."

Mr Musri takes the view that existing legislation between Turkey, Syria and Iraq – especially a 1987 protocol signed by former Turkish prime minister Turgut Ozal – form the basis of a final agreement. The irony, of course, is that the sharing of waters between Syria and Iraq has long ago been agreed – even though Saddam Hussein remains a visceral enemy of President Hafez al-Assad of Syria.

Parties fail to call truce for Clinton inauguration



Gingrich reprimand and rancour over budget sour atmosphere, writes Rupert Cornwell

Washington — As ceremonial Washington prepared for today's 53rd Presidential inauguration, Republicans closed ranks around their tarnished Speaker, while the Democratic occupant of the White House was applying the final touches to a speech he hopes will help cement his place in history.

In a newspaper interview yesterday, President Bill Clinton said he was aiming at an inaugural address that would "help flush the poison from the atmosphere" of January 1997 in a capital riven by rancorous partisan

feuding, at a rare moment in the four-year political cycle here when truce normally, if briefly, prevails.

In his speech for uplift and inspiration, Mr Clinton is expected to use this year's coincidence of the Inauguration and the Martin Luther King holiday to plead for racial reconciliation, as a crucial plank of the "Bridge to the 21st century" that was the slogan of his victorious campaign last autumn. Indeed, a symbolic wooden bridge is one of the more curious inaugural attractions on the mall, below the Capitol steps where

Chief Justice William Rehnquist will administer Mr Clinton the Oath of Office at noon today.

Last night the First Couple attended a traditional inauguration eve gala; but the gruelling part comes tonight when they will attend each of the 14 inaugural balls.

But celebration and comity will not last long at the other end of Pennsylvania Avenue. Yesterday Congress was still coming to terms with the House Ethics Committee's severe castigation of Newt Gingrich, the Speaker, for transgressions for which

he will be fined \$300,000 (£181,000) and receive a formal reprimand. In the short term, Mr Gingrich seems set to survive. But the episode has seriously diminished his authority.

However Mr Clinton too is unlikely to escape fall-out from the Gingrich affair. As his outgoing Chief of Staff, Leon Panetta, acknowledged yesterday, party warfare on Capitol Hill can only dim the prospects for agreements on balancing the budget and trimming entitlement programmes like Medicare, both major goals of the second Clinton term.

Nor does the looming row over a constitutional amendment to balance the budget amendment bode well. In his interview with the *Washington Post*, Mr Clinton vowed to fight the measure, but Trent Lott, the Republican Senate Majority leader, insisted it would be the first priority of the new Congress.

However, the public seem ready to embark on a second honeymoon with Bill Clinton. Polls yesterday put his approval rating at around 60 per cent, higher than at any time since the start of his Presidency.



Bill Clinton: Racial reconciliation crucial in bridge to 21st century

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South Korean workers change strike tactics

Richard Lloyd Parry
Seoul

A group of 10 international trade unionists, lead by Bill Jordan, the British general secretary of the International Confederation of Free Trade Unions (ICFTU), is scheduled to gather in Seoul this morning to express solidarity with South Korea's workers.

An earlier delegation left last week after being threatened with deportation, and the new arrivals face the same consequences if they address rallies and hold press conferences.

They arrive as the dispute is winding down, at least for now. After nearly a month of national strikes, hundreds of thousands of South Koreans will work normally today in an unexpected change of tactics.

Officials of the illegal Korean Confederation of Trade Unions (KCTU), which has co-ordinated the stoppages and demonstrations against a revision of labour legislation, have dropped their demand for the scrapping of the new laws that make it easier for companies to sack employees and postpone the right freely to form unions. But they insisted that they were not stepping down. The KCTU's leader, Kwon Young Gil, said that it would resume an "all-out struggle" if the government failed to revise the legislation by 18 February. Until then, strikes will be

limited to Wednesdays, with demonstrations every Saturday.

The three-week strike is estimated to have cost South Korea more than \$3bn (£1.8bn) in lost production and exports, but it had been losing momentum since last Wednesday when a general strike call by the KCTU and the bigger, official Korean Federation of Trade Unions (FKTU), achieved a patchy turn out. Union officials speak of the need to "conserve energy", and to capitalise on the widespread public disapproval of the new laws and the way in which they were secretly pushed through by the government of President Kim Young Sam.

According to Korean journalists, opinion polls showing plummeting levels of support for Mr Kim have been suppressed. But even members of Mr Kim's own New Korea Party (NKP) acknowledge that his popularity has suffered and the political consequences are likely to be damaging.

Fierce protests continued in Seoul over the weekend, and several marches and rallies were broken up by police firing tear gas grenades. An unknown number of students were injured when police retaliated against attacks with petrol bombs and iron bars by charging and beating up protesters. On Saturday, a march of as many as 10,000 people was led through the city by a group of Christian clergymen.

Hutus murder three Spanish aid workers

Christian Jennings
Reuters

Ruhengeri — Rwandan Hutu militiamen shot dead three Spanish aid workers and three soldiers and seriously wounded an American in an overnight attack in north-western Rwanda, survivors said.

The bodies of the three Spaniards – two men and a woman – lay in pools of blood in the aid workers' house in Ruhengeri yesterday.

A United Nations human rights operations director, Javier Zuniga, said: "These people were executed. Clearly these attacks were aimed at aid workers and expatriates generally."

The American, named by aid workers as Nitin Madhav, was working with the Spaniards. He was treated in the hospital at Ruhengeri, where his wounded leg was amputated, and later was flown to Kigali and evacuated for further treatment.

An American diplomat said the attackers stormed into the house and demanded the Spaniards' passports. They were disturbed by the noise of gunfire outside the house, and reacted by shooting the three from close range.

Mr Madhav, 28, from Pennsylvania, was shot in the leg as he dived behind a table for protection. The Spaniards, shot

through the head, were attached to the Spanish charity Medicos del Mundo. In Paris the parent group Médecins du Monde announced that it was suspending all activities in Rwanda pending further information about the killings.

In Madrid, Medicos del Mundo named the dead as Manuel Madrazo, 42, a doctor from Seville, María Flores Sirena, 33, a nurse from Lerida, and a photographer, Luis Valtuena, 30, from Madrid who was working as an administrator.

Most expatriate staff in the Ruhengeri area left for the capital Kigali where the UN, relief groups and the government will meet today to decide whether to formally suspend humanitarian work on security grounds.

A Rwandan military officer said: "We know these people are now operating from inside Rwanda. They think if they can drive out the expatriates now working here they can mount such attacks more easily."

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es the
ivers

In Aleppo, the ancient course of the Quseik river has been merged with the city's sewerage system. The Syrians say that the Turks have been polluting joint rivers with sewage and industrial drainage, as 'political', not technical

MAP: TURKEY
SYRIA
JORDAN

MAP: TURKEY
SYRIA
JORDAN

Why Paddy Ashdown must stay in the game

What is Paddy Ashdown for? We suspect that there are many in his own party, probably including himself, who have asked this question recently. It is an important question in an election year, and we ask it in a broadly sympathetic light.

All three of our main parties are now incoherent ideologically. The Liberal Democrats began as an alliance of Liberalism and social democracy and have been shaped opportunistically in local government and at Westminster against the background of what might be called The Strange Death of Conservative England. These long-drawn-out throes have seen the contradictions of Thatcherism played out in the unforgiving debate about our European destiny. Meanwhile, new Labour, the main beneficiary of the Tory decline, appears much of the time to have sublimated traditional principles into a ruthless electoralism. It lays claim not only to the social democratic tradition, but to Liberalism and One Nation Toryism too.

This may seem a rather high falutin' way of setting the scene for Mr Ashdown's engagement with David Frost's sofa yesterday. But it is Mr Ashdown's claim that he is above grubbing for votes that he will stake out the ground of high principle and dare people to rally to it. In endlessly reiterating his purity, decency, honesty and transparency he can sound irritatingly pious, but we should not let the holier-than-

thouism get in the way of the real issue. So what are these high principles? The one that matters is liberalism, a big word with many meanings and a whole baggage-train of history behind it. But there are three meanings which we think matter, and which we think start to define Mr Ashdown's useful role.

First, there is liberalism as a defence of individual freedom. For much of the decade of this newspaper's existence, we have taken the value of personal liberty for granted. It seemed that if we were not at the end of history we were at least at the end of that particular argument, so far as developed Western economies are concerned. But the drift to authoritarianism needs to be watched with hawk-like attention, as much on the left as on the right, when there is so much social consensus about: it is reassuring, indeed essential, that we should have a serious political party for which individual liberty is a core value.

Then there is liberalism's concern with political freedoms and the making of our system of government more democratic. Again, our concerns and those of the Liberal Democrats coincide. Mr Ashdown's party is the most convincingly committed to the cause of bringing what he calls our "rotten, stinking political system" into line with the modern age. Again, we need the Liberal Democrats to keep Labour honest. The talks between the two par-



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ties mean dramatic changes to our constitution are more likely to happen, and are more likely to be soundly based. The end of law-making hereditary peers, the setting up of a Scottish parliament and human rights made enforceable in British courts would transform our political life.

But the question of how we elect our MPs still demands more clarity from Labour. The present system is crude and unfair, as Mr Blair himself concedes. This will become more obvious if the rest of our museum-piece constitution starts to be modernised. Mr Ashdown yesterday teased Mr Blair

over his promise to hold a referendum on electoral reform while remaining personally opposed to proportional representation. "I think it is a pretty curious position for somebody to introduce a referendum and invite people to vote against it, but Tony Blair must articulate his own position," he said. We hope that the pressure from Mr Ashdown will help the Labour leader to do so.

Then there is liberalism as a justification for activist government. Last week Mr Ashdown cited the Liberal government of 1906-14 which "recognised that individual liberty depended,

not just on the hard-won political freedoms of the 19th century, but on positive protections against ill-health, unemployment and the deprivations of old age". The New Liberals at the other end of this century realised that these things had to be paid for. So Mr Ashdown was right yesterday to mock Gordon Brown for his "depressing timidity" in failing to ask people earning more than £100,000 a year to pay more in tax. He is right also to chide the Labour leader for declaring that education would be the "passion" of his government without saying where the money will come from.

Mr Ashdown's demand for honesty in taxation may be a slogan, he may be shifty about his own plans for a penny on income tax "if necessary", and it may be that he is unlikely to have any direct responsibility for the nation's finances. But our political debate would be poorer and less honest without this pressure from a party with its own democratic mandate.

It is intriguing that neither Mr Blair nor Mr Ashdown's spin doctors deny that the two have discussed jobs in a possible Labour government – although we suspect that Mr Ashdown and Menzies Campbell have only been offered them on condition that they join the Labour Party. It would be a mistake for Mr Ashdown to accept this kind of offer, because he may yet wield more power as leader of an indepen-

dent party – even with a majority Labour government, and even before electoral reform. In a time of ideological elision, when right steals from left and left from right, and all parties chase polls as much as principle, the ancient values of liberalism continue to goad the dominant parties out of a complicity into which they might all too easily slide. Mr Ashdown's present game of prodding Mr Blair and provoking Mr Major, is not only best for his party – it is also best for our political system.

Reading the English psyche

Today's pop chart of literary classics gives us an insight into the cultural values of Middle Earth – oops, we mean Middle England. The top three chosen by 25,000 Waterstones customers are all English: *Lord of the Rings*, followed in second and third place by George Orwell's *1984* and *Animal Farm*. Tolkien, born in South Africa, was an English conservative, while Orwell was the most English of socialists. Mind you, if this is English culture, it makes you wonder. The English would seem to see themselves as peace-loving, egalitarian Hobbits, defending themselves against orcs, goblins, Big Brother and pigs.

LETTERS TO THE EDITOR

Instability in Turkey fuels risk of war

Sir: George Kassimeris's compelling article ("Greeks, stop bearing grudges", 13 January) is very accurate in its description of the "Greek obsession with external 'enemies'". There is, however, an additional reason to explain the recent arms race between Turkey and Greece.

In the latest parliamentary elections in Turkey, the Islamic party Refah won the largest number of seats. After a short-lived coalition between the country's two rival centre-right parties, there is now a Refah-led coalition government in Turkey.

The election results mark a watershed for Turkey, a westward-leaning republic founded by a secular élite more than 70 years ago. It is obvious that the country has entered a period of political instability in which many in the army are bitter and confused. A military conflict with Greece might be seized upon as an easy solution to the deep-rooted domestic problems and political instability.

BULENT GOKAY
Department of International Relations
University of Keele

Sir: The remarks of the Turkish Ambassador, Ozdem Sanberk, to Christopher Bellamy (report, 15 January) lend some hope to the Cyprus question.

The establishment in Turkey is sending a clear message that an equitable solution will be sought and that Turkey would like to develop a lasting personal understanding with Greece outside treaty arrangements.

These comments contrast somewhat with those of Tansu Ciller, the Foreign Minister, and utterances made by others involving ancient hatreds. The latter may well be attempts to deflect domestic attention away from government corruption scandals.

I believe the diplomatic olive branches held out by those who are likely to outlive their governments should be seized by the European Union and others, and Greece and Cyprus discouraged from embarking on untimely and unnecessary military shopping sprees.

Failure to do this may well result in a Bosnia-type Nato arrangement being imposed on the island, unwelcome for both communities and weakening the hands of those in Turkey who seek a genuine understanding with Europe. A wider Balkan conflict must be avoided at all costs.

YASMIN BRETT
Enfield, Middlesex

Sir: During my summer vacation in Bodrum, Turkey, I was very pleased to see Greeks from neighbouring islands, only five to 10 miles away, visiting Turkey in the morning, doing their shopping and returning in the evening by ferry boat. Later I found out that Greeks do not require a visa to visit Turkey, but Turks are not permitted to visit the Greek islands without a visa, which could only be obtained by applying to their consulate in Izmir, 250km away, and it may take two weeks to receive.

I suggest the Greek people should tell their politicians they have nothing to fear from the Turks, and let Turks visit their country freely, which I am sure will bring them closer and



Better ways to greet millennium

Sir: I think it is appalling that £500-plus should even be considered for a temporary Millennium Exhibition seen by a minority of the population (report, 17 January).

This money could be spent providing cultural and leisure facilities in small towns and villages, or used as incentives for small businesses in areas of unemployment. These could be permanent, useful and appreciated memorials to the millennium.

London could be the centre of the celebration with a less expensive project, which has at its heart a permanent reminder of the millennium – much as the Festival Hall is of 1951 – be it a cultural or sports arena or even a hostel for London's homeless.

ELIZABETH TENCH
Amersham, Buckinghamshire

Sir: Why not move the Brent Spar oil platform to Greenwich as part of the Millennium Exhibition? As a reminder of where our wealth came from in the latter half of the 20th century, and as an example of our problems of pollution and decommisioning, it would stand as a symbol of Sixties optimism and fin-de-siècle pessimism, as well as being an example of our engineering skills.

Not normally seen below the water-line, these things are akin to the lighthouse of Alexandria in

convince them they should not be afraid of the Turks.

H DULAGIL
London W9

Sir: A preferable project on which to spend hundreds of millions of pounds, with lasting benefit to the country, would be the replacement, repair and internal refurbishment of school buildings neglected over many years.

LYNETTE DUNN
Swanage, Dorset

Sir: Every city, town, and village throughout the land should erect a Millennium Clock. The unveiling of the clock would be a focal point for celebrations at midnight ... and the event is all about time.

J W DIXON
London SW15

Sir: Your article on Korean investment in Wales ("Come to low-wage Wales", 13 January) implied that Korean investors come to Wales solely because of low wage costs, and suggested that the Welsh Development Agency was more concerned with attracting investors than with creating well-paid jobs for Welsh workers. Neither claim is valid. The 1996 New Earnings Survey shows that average male and

female manual manufacturing wages in Wales are slightly higher than the Great Britain average. Males working in manufacturing in Wales earn £323.80 a week, while in GB they earn £323.60. For females, the figures are £205.70 and £205. Although, when one looks at the economy as a whole, wages in Wales are 10.4 per cent lower than elsewhere in Great Britain, that is because less well-paid sectors are concentrated here. Wales has a high concentration of people working in agriculture and tourism, but they do not earn significantly less than people in equivalent jobs across the border.

The Welsh Development Agency is responsible for securing the long-term economic regeneration of Wales. It is naive to suggest this can be done simply by attracting investors who are "walking the Welsh labour market". Wales wants to attract companies who intend to stay in Wales, re-invest here and create jobs for the long term. This is why Wales is now home to companies such as Ford, Sony and Panasonic.

In the case of Korean-based LG, one of the factors that encouraged the company to come to Wales was a survey of leading inward investors which showed that 92 per cent felt that the Welsh workforce exceeded their requirements for commitment and productivity.

BRIAN MORGAN
Chief Economist
Welsh Development Agency
Cardiff

Lifting sanctions on everything

Need to reassess Iraq sanctions

Sir: The sixth anniversary of the Gulf War provides an opportunity to reflect upon the crisis in Iraq. The last six years have seen massive loss of life and hardship within Iraq, caused both by internal repression and by externally imposed sanctions.

Despite the catastrophic effects of sanctions on the population of Iraq, little has been achieved by this policy. The sanctions regime maintained by the United States and the United Kingdom under the auspices of the UN has neither stopped human rights abuses, nor enabled the Iraqi people to replace the Ba'athist state.

Rather, this has consolidated Saddam's position, by suppressing the will of those who might have formed the basis of a revolution and by provoking anger towards the West.

Thousands of infants have died since 1991 from malnutrition and treatable diseases as a direct result of sanctions; while thousands of Shia and Kurds have languished in Iranian refugee camps in what is proving to be a long-term exile.

It is time now to reassess the policy of sanctions. In the absence of additional measures which enforce respect for human rights in Iraq and enable the overthrow of the current regime, sanctions will remain both ineffective for long-term crisis settlement and morally reprehensible.

Lifting sanctions on everything

but arms, coupled with effective international protection for northern and southern Iraq, should be viewed as the lesser of two evils.

ALL HUSSAIN
SARAH GALLOWAY
SIMON FAULKNER

Campaign Against Repression and For Democratic Rights in Iraq

Manchester

Passing the buck on private rail

Sir: Having gone to some effort (two telephone calls to train inquiries) to avoid travelling from Exeter to Norwich at a time when there were engineering works, and hence a coach ride and extra journey time, my daughter duly ended up on a coach to Ipswich and arrived in the middle of Sunday night at Norwich with other misdirected passengers.

So far, in the search for responsibility, Great Western call centre says it's Cate (a computer system), who say it's Railtrack, who say it's Anglia Railways, who say it's Great Western call centre, who say ... In the process I

discovered that the engineering works had been going on for some weeks and that the wrong information was still being given out to hapless travellers for the following Sunday.

Various comments from friendly staff include: "Passing the buck is the name of the game"; "It's a shambles" and "I don't see it getting any better". If this is privatisation, London Tube travellers should take heed.

P BARNES
Exeter

Devilishly good place for stone

Sir: On Suzanne Stockman's suggestion that the Stone of Destiny had its origins in Northern Ireland (letter, 13 January), the Irish Epic *Second Battle of Moytura*, probably one of the earliest sources in which it finds mention, informs us that the stone of *Fal* was resident in Tara, which is in Meath, not in the North.

It had been brought there from the legendary city of *Falias*, one of four cities in which, apparently, the "Diabolic Arts" were taught.

Bearing this in mind, might I suggest that it be returned to Westminster, where it doubtless felt at home all those years?

K J WALDRON
West Calder, Lothian

Pigeons' revenge

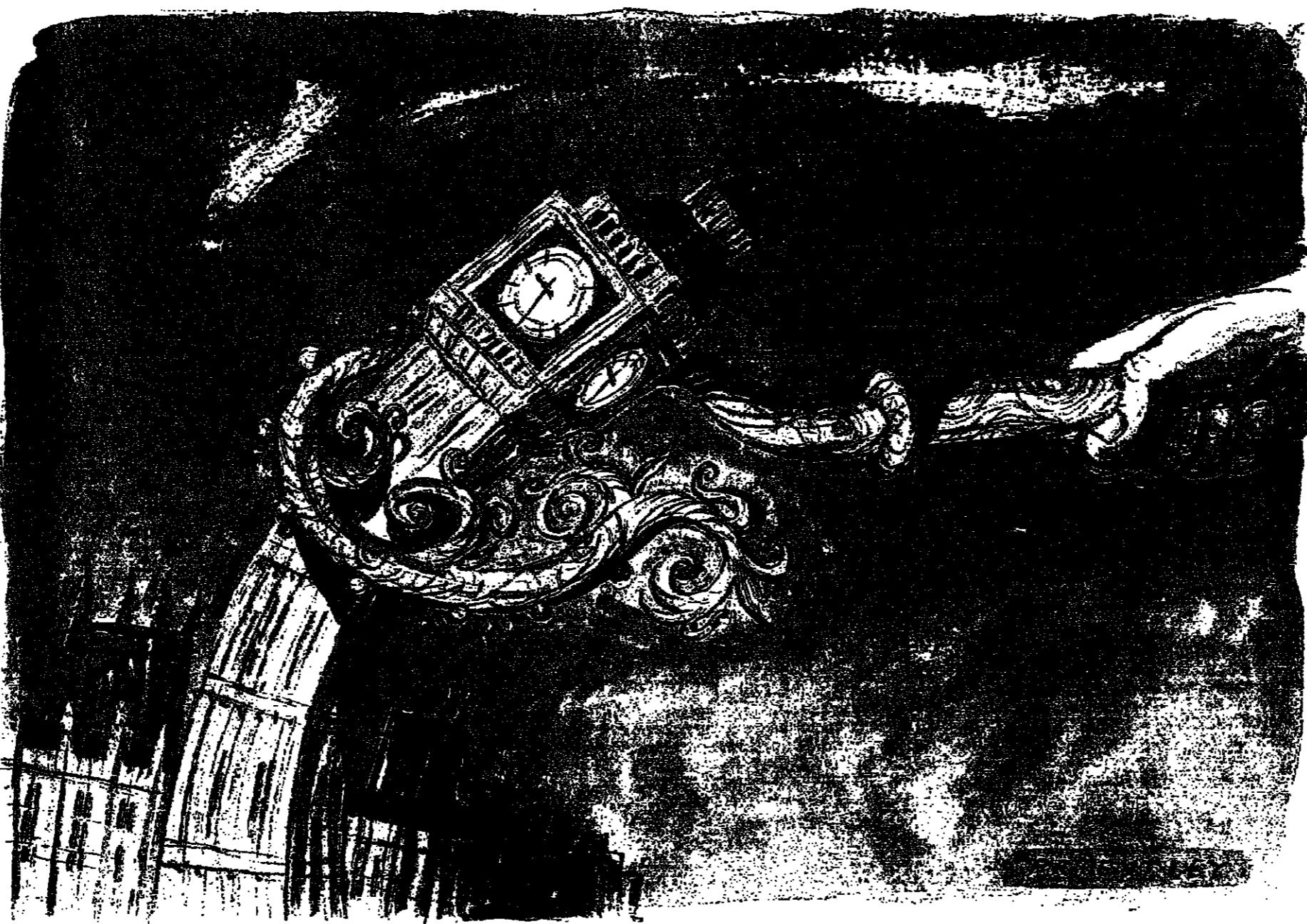
Sir: You say that over a ton of pigeon droppings has to be removed from Nelson's column each year ("Ban on feeding pigeons puts tourists in a flap", 18 January).

Perhaps the pigeons have been reading Susan Sontag's account of the hero's brutal suppression of the revolution in Naples in 1799 in her recent historical novel *The Volcano Lover*, and in consequence are doing precisely what I would do, were I a pigeon.

ANDREW GORDON
Banbury, Oxfordshire

essay

Religious leaders – Catholic, Anglican and Muslim – have suddenly become potent players on the political scene. Paul Vallely explains why bishops and imams are making waves



The awkward squad at prayer

So what has happened to change things? It couldn't have happened under Margaret Thatcher, but now, somehow, the churches have become a potent force on the political scene. As the election approaches, their voices seem likely to grow louder. And it is not just the Christian churches. At the weekend the Muslims entered the fray, too.

Recent times have seen an unprecedented How-to-Vote statement from the formerly quiescent Catholic bishops, which was widely interpreted as being pro-Labour. Five of the Church of England's most senior bishops then condemned the selfishness and social disintegration that has been nurtured under 17 years of Conservative rule. The two British Catholic cardinals have weighed in on the issue of abortion, with Basil Hume in England saying that no Catholic would vote for a pro-abortion candidate and Thomas Winning in Scotland accusing the Labour leader, Tony Blair, of

personal hypocrisy and sham on the subject.

Last week, the Anglican bishops met in private in Liverpool to discuss the election. At the end, they issued a new Labour-tinted statement saying that, in their votes, "Christians should be advocates for those excluded from access to well-being or influence in society". The bishops singled out the homeless, the unemployed, the old, the mentally ill and the Third World poor.

On Friday, Dr Zaki Badawi, chairman of the Council of Imams and Mosques of Great Britain, revealed that Muslim leaders are engaged in producing an Islamic equivalent of the Catholic bishops' document which will also call for curbs on the market. And the forthcoming Council of Churches of Britain and Ireland report on unemployment and the future of work, due out before the election, is said to contain some uncomfortable words for the Government.

It is all very different from the Eighties, when an unde-

clared state of war existed between the Government and the body that had formerly been declared to be "the Tory party at prayer". The stand-off then between Prime Minister and Archbishop of Canterbury was but another stage in Mrs Thatcher's battle against the post-war establishment consensus. But after the Kinmonth Labour Party crumbled in the face of her fervent ideology, the Church of England, under the unlikely leadership of the milk-mancraved Robert Runcie, to stand up for the old decency in the path of the neo-liberal economic juggernaut of Thatcherism. The Iron Lady was contemptuous and dismissive. The Church became cowed.

The reasons for the change are complex. At the forefront is Mr Blair's vaunted Christianity and John Major's scramble in the autumn to join him on the moral high ground. Uneasy statements about how the Tory party was "founded on principles flowing from the Christian faith" and how Mr Major

prayed "in all circumstances" were happily subsumed in the apple-pie generalities in which all parties indulged after Frances Lawrence, the widow of the murdered headmaster, poignantly announced her well-meaning campaign to remoralise Britain.

But something had changed before that. Churchmen and workers in church agencies for social action reported a sea-change in the early days of the Major administration. "His ministers seemed more prepared to listen from the outset," said one church worker recently. It was partly a question of temperament: the evangelistic certainty of the acolytes of Mrs Thatcher had given way to those in the party who were less opposed in principle to the notion of consensus. It was partly the arithmetic of a diminished parliamentary majority. "At any rate they listened, and as the election approaches they are listening with emphatic concern," said another leading lobbyist from a church social agency.

Yet there is something more fundamental. Thatcherism has borne its fruit: her Eighties deregulation of the global financial markets is wreaking unemployment and insecurity – among the very groups who voted for Mrs Thatcher. With globalisation, the welfare capitalism of the Fifties, Sixties and Seventies has given way to what Pope John Paul II has condemned as "savage capitalism". The change has galloped since the collapse of Communism.

Nobody in the West thought

Communism was an alluring alternative, said Professor David Marquand at a symposium of economists, political theorists and theologians at the Von Hügel Institute in Cambridge last Friday, which was held to respond to the Catholic bishops' pre-election document, *The Common Good*. But, he said, the threat that a Communist alternative might appeal to capitalism's marginalised and growing "under-class" was potent enough to spur policy-makers to inhibit the worst excesses of capitalism. Now, said Marquand, that brake is off.

The result is massive movements of capital, currency and jobs from one side of the globe to the other (to wherever the greatest profit can be made). And economic changes whose impact was once cushioned by welfare and regional regeneration are now felt nakedly, as the people of Halweald would unhelpfully point out. It is a world, said Marquand, which Marx would have recognised more easily than that of two decades ago.

It was on to this field that the Catholic bishops entered. Their motives too were complex. There were some who felt irritated by new converts to Catholicism who had painted the church as a pietistic, conservative bastion of separateness from the world. These senior Catholic figures wished to remind the converts of a century of radical Catholic social teaching.

But it is the main stimulus for the document was that the Catholic flock has more working-class antecedents than the established church, has a strong traditional of work in education and welfare, and its bishops were closer to the on-the-ground impact of the fruits of Thatcherism. They knew that trickling-down had not worked, that the culture of greed had got worse, that poverty and social disintegration were prodding ahead.

It did not surprise anyone

who had read any of the key

dozen papal encyclicals on

Catholic social teaching when

the English bishops' pre-

election document constituted a withering condemnation of

the legacy of Thatcherism. Tory

spin doctors decided to play this down, insisting that electoral

damage would be minimised by

saying that the party agreed with 95 per cent of the docu-

ment. But the fulminations of

right-wing Catholic journalists

such as Paul Johnson in the

Daily Mail or William Rees-

Mogg in *The Times* made clear

that because of a candidate's stance

on a single issue but rather on

whether his or her policies were

generally in line with Catholic

social teaching.)

Either way, one thing is clear.

The attempt by the Catholic

bishops to reclaim public space

for morality has not fallen upon

stony ground. In Britain today

there is, as the Church of Eng-

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Mogg, "a serious error of episcopal judgement", adding bizarrely, "there is a striking contrast with the work and moral advocacy of Frances Lawrence".

Outraged talk about keeping apart God and Caesar is the usual fodder at such times. The bishops of Oxford, Durham, Coventry, Birmingham and Liverpool met with similar doses of backbench scriptural exegesis when their New Year statements lamented that 17 years of Tory rule had subjugated public morality to idols of economic efficiency, individualism and fatalism. And the Bishop of Norwich was told last week by a senior Tory peer to "steer clear of political issues for the next month, my boy. It's going to be rough time", when all the prelate was concerned with was homelessness and poor housing and its impact upon "people's spiritual and moral well-being". Church leaders, it seems, are "politicians in purple" who "meddle in politics" when they tackle issues which make Tories uncomfortable, but are "spiritual leaders" reminding their flocks "when it comes to moralities of which the right approves".

For the new political involvement of clerics is not something that goes entirely in the Opposition's direction. Earlier this month, the Archbishop of York was seen as giving backing to the Government when he said that

"there is evidence from across the world that welfare destroys as much as it protects", and counselled Christians against regarding politicians with cynicism. And Mr Blair must clearly be discomfited not simply by the personal vehemence of Cardinal Winning's attack on him over abortion, but also by the apparent willingness of the more measured Cardinal

Hume to give succour to a move by anti-abortion activists to turn abortion into a single-issue campaign in key marginal constituencies. (The Catholics appear split on this one: the cardinals' behaviour flies in the face of the bishops' statement in *The Common Good* that Catholics should not vote because of a candidate's stance on a single issue but rather on whether his or her policies were generally in line with Catholic social teaching.)

Either way, one thing is clear. The attempt by the Catholic bishops to reclaim public space for morality has not fallen upon stony ground. In Britain today

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More significantly, it has impacted not just on the "under class", whose inactivity the former chancellor Norman Lamont once so memorably said was a "price worth paying" for low inflation. The ill-effects have spread to the middle class who, in the words of another Von Hügel speaker – the United Reformed Church elder Gabrielle Cox, of the Low Pay Unit – feel the water lapping at their feet as the contract culture,

redundancy, degradation of

public services, rising crime and

general insecurity hit there, too.

Other changes that have

created the space in which the

voice of the religious is once

again heard include a shift in

the intellectual climate. In the

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Right intellectual John Gray,

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First the docks, now Ford: how Liverpool lost it



Andreas Whittam-Smith

There has been no political leadership of the kind that has secured an expanded airport for Manchester

Liverpool is back where it started. This is the meaning of Ford's decision last week to declare a third of its Halewood workforce redundant and move Escort production to Spain and Germany. It was Harold Macmillan's government, nearly 40 years ago, which brought manufacture of the best-selling Escort to Liverpool. In 1959, Ford had been refused permission to expand its factory at Dagenham in Essex and was pushed into building a plant at Halewood, which started producing Anglias in 1963 and, then, from 1968, Escorts. At much the same time Triumph, later part of British Leyland, was dragged into opening manufacturing facilities not far away, at Speke, and General Motors was encouraged to expand its Vauxhall operation at Ellesmere Port, across the Mersey.

The Conservative government of the day believed that the decline of Liverpool from its huge prosperity as a transatlantic port would be arrested by building a motor manufacturing industry. Some 20,000 jobs were directly created in this way and no doubt further service jobs indirectly.

But Speke closed in 1978; the others have since cut back substantially. And when the Japanese started making cars in the United Kingdom, they passed Liverpool by and opened plants in north-east England.

So the Merseyside motor industry is down to 5,000 jobs and shrinking fast. Macmillan's initiative has come to nothing. Indeed in relative terms, as I remember from personal experience, Liverpool was considerably more prosperous in the early Sixties than it is now. There was nothing inevitable about this decline. British workers can handle new manufacturing or industrial tasks when they get the chance. Over the same period that the Merseyside motor industry has been failing to establish itself, Scotland has created a successful business in manufacturing electronic components. The enormous North Sea oil industry has been created from scratch. And the Japanese motor manufacturers have come back for more, though not on Merseyside.

Why not Liverpool? I believe the casualisation of labour in the docks, which for generations involved hiring men by the day, left a tradition of uncertainty, aggression, and bitterness in industrial relations which permeated the new manufacturing plants. From the Sixties until the late Eighties, Liverpool had the worst industrial relations in the country. In retrospect, this appears a sort of revenge for the terrible exploitation of the 19th and early 20th centuries. The notorious strike of cemetery workers which left the dead unburied and marked the final "winter of discontent" of the last Labour government in 1978, took place – of course – in Liverpool. Through the Sixties and Seventies, national strikes always lasted longer on Merseyside. When workers elsewhere had gone back, the Liverpool men would

still be shouting defiance. Even now, the few remaining Liverpool dockers are in bitter dispute with their employers, exceeding in intransigence the miners' strike of 1984-85. As for Halewood, late in the day it started to raise its productivity to match international standards, but it never completely closed the gap.

Second, the industries created by the rich Atlantic trade were themselves transient. They comprised typical port activities: sugar refining, tobacco manufacture, wheat milling. They were process industries, which gradually deserted the Mersey as the port's traffic declined. They left behind no pool of skilled labour. The only engineering activities took place at Birkenhead, where Cammel Laird was a first-class shipbuilder, so proud in the Fifties to build the *Ark Royal* for the Royal Navy and then nuclear submarines, and where smaller companies carried on ship repair. Most of these activities have also gone. So have the financial operations associated with a successful port, such as ship-owning and insurance. Cunard left Liverpool long ago, as did Royal Insurance, which had its headquarters there.

This last example is instructive. The Norwich Union has felt no similar need to leave Norwich for London, nor General Accident to desert its Perth base.

It is not as if Liverpool lacks a good infrastructure. Merseyside still has excellent schools; Liverpool University is an effective institution. Local pride and identity is strong, focused on its football teams. Liverpool's pastors, the late Archbishop Worlock, Bishop David Sheppard or Canon Nicholas Frayling, have a national reputation.

But there has been no political leadership of the kind which Merseyside demonstrated last week when it obtained permission for the expansion of Manchester Airport. Liverpool's local politics, like its labour relations, were notoriously fractious for most of the 1970s and 1980s. The TV cameras could always find a punch-up at Liverpool Town Hall to film when they ran out of images of striking workers standing round a brazier at the factory gate.

Manchester claims that building a second runway has an employment potential equivalent to 10 Nissan car plants. It forecasts the creation of 7,000 jobs on site and more than 43,000 in the region as passenger movement doubles. The assumption is that good international communications are a strong attraction for business looking for a British base or site for a factory. The road network of north-west England is already good. Liverpool had hoped that its own airport, rather than Manchester's, would be expanded. But Manchester airport is close enough to serve Liverpool's purposes. A big airport may lack the romance of a bustling port yet it can have the same effect. The news of the second runway is a patch of genuine brightness amidst the gloom of the Ford announcement.

Why I trust Jack Straw to do the right thing

by Polly Toynbee



Just take that one line. "Even if they catch 'em they get off scot-free." With prisons overflowing and billions spent on new prison building, accusing the Tories of failing to punish those they catch is hardly reassuring about Labour's plans. Rhetoric of this kind is corrosive, poisoning the veins of the national bloodstream. How are people to think in a mature way about difficult social problems, their causes and cures, when debate is reduced to this mendacious nastiness?

Watching the party political broadcast, I asked a life-long supporter if this was the Labour party he knew and loved. "No," he said. "But the Labour party I know and love never won elections." So is this what it takes? Maybe.

In the end, it is by his actions as Home Secretary that we shall judge Jack Straw. I believe that when the time comes, he will do the right things, even if he deliberately makes the wrong noises while doing them.

Will he be illiberal? "Wait and see," he says with a *trust-me* grin. So which previous Home Secretary does he admire? Roy Jenkins, the great reformer. What monuments would he wish to leave behind him? First – to bring the European Convention on Human Rights into the British Constitution. Second, catch more criminals and deal with them more effectively, according to the research that shows what works best. Current detection rates are so low that only 1 in 50 crimes get near a court. Third, he wants a reputation for successfully tackling racism, including repealing Mr Howard's *Act* and reducing the shocking black youth unemployment rates. Not a bad set of monuments.

He talks with most passion about reforming the chaotic youth justice system. He will drastically reduce school exclusions; catch and treat young criminals before they mature; process them through court immediately, instead of months later; introduce mentoring schemes and other projects that divert youth from crime. He will ensure good education in prisons and effective treatment and teaching for children in care: a quarter of prisoners

never have been allowed. But the decibels of indignation that have greeted the Bill from some quarters recently seem overblown in the circumstances.

Even if the Bill was designed to smoke Labour out (which it wasn't), Mr Straw would have been foolish to jump into the trap, so offering Mr Howard a chance to claim that Labour was on the side of the criminals. Labour might have pleased us liberals. But what would have been the point if Mr Howard was helped back into power? Liberal words may please some of us mightily, but they butter few electoral parsnips.

As it is, Mr Howard failed to predict that the right-wing libertarians would come out against him: "the Englishman's

home is his castle" is a British fundamental which excites many rarely-used constitutional nerves. (I think it is the pleasing word "castle" that gets them in, tweaking the *Country Life* and *The Field* wannabes.) Some of us, though, might be a trifle less exercised about the Englishman's right to his castle than other Englishmen's right to a home. It is curiously unedifying to see the "rights" army out in force, apparently oblivious of the monstrous injustices perpetrated against armies of citizens every day of the week in our name: not just the lack of rights of those sleeping in the streets, but the mentally ill, alone and deranged in the community, destitute families unhelped by anyone, neglected

children in care destined for a life of calamity, and so on.

So would Jack Straw be the monster Home Secretary the liberals fear? Trampling on rights, playing to the lowest law and order instincts? I think not.

Now this may take quite a leap of faith, the way Labour are talking these days. Labour's party political broadcast last week stretched liberal tolerance past breaking-point. In it a young *Daily Mail*-reading couple talk about crime: "Paul: Number 28's been burgled. I bet it's that gang of yobs again. Helen: Even if they catch 'em they get off scot-free. Voice over: Already crime has doubled under the Tories. Paul: If they get back next time there'd be more criminals getting off."

Clinton II – old scandals, new chances

Sequels rarely match the original, but this one may confound the sceptics, says Rupert Cornwell



Clinton's first inauguration: a modern-minded Southerner dreamt of a new Camelot

WASHINGTON – Alexander Lebed will be there (though at precisely who's invitation is a mystery). But la Strela will not (allegedly because White House protocol bars her from sharing the Lincoln bedroom with her beau, James Broth). There are a record 14 balls tonight, but a 10th of hotel rooms here are unbooked. Admittedly, hopes are high that the sleek, shimmering gown that Hillary has commissioned from the couturier Oscar de la Renta will provide the First Lady with a rare fashion success. But Bill's book of only last September, *From Hope to History*, originally priced at \$16.95, is being remaindered off at \$5 a throw as part of a bric-a-brac souvenir package. All of which is to say that when William Jefferson Clinton, 42nd President of the United States of America, is inaugurated today for a second term, a certain pizzazz will be missing from the Yankee coronation.

How different from four years ago, when a modern-minded young Southerner brimming with ideas retraced the journey of Thomas Jefferson from Monticello to Washington, and the capital dreamt of a new Camelot.

One reason for the lack of exuberance, inevitably, is that sequels are rarely as good as the original. The faces are the same, the policies mostly watered down, and the freshness of a wedding has given way to the drearier reality of married life. But that alone does not quite explain the strange mood.

The start of Clinton II is a moment of high possibility but low expectations. On paper, the stars are aligned for bipartisanship as rarely before. Once again America's voters have opted for divided government, telling the two parties, in other words, to co-operate. The Republicans have retained Congress, but are a chastened bunch, very different from Newt Gingrich's overweening invaders of January 1995. The President, too, has learnt that success lies in moderation, in courting the "vital centre" rather than the strident core constituencies of his Democratic party.

But behind the soaring call for national unity and purpose that Mr Clinton will send forth from the steps of the Capitol today lies the rancorous reality of the controversy surrounding the Speaker, Newt Gingrich, which – on the House side, at least – has turned the 105th Congress into a snake pit before it has done a day of proper business. Then there is scandal – or rather scandals.

Some see hope in a "symmetry of sin"; that the ethical problems facing the Speaker and the President in a sense cancel each other out, and will prompt each side to seek a truce. Mr Clinton, after all, is looking for a place in history; Mr Gingrich for redemption. Both men say they want to balance the budget. Both have acknowledged, albeit in differing language, that curbs on middle-class entitlement programmes such as Medicare are essential to achieve this.

Both have spoken passionately of the need to tackle that most intractable of American problems, race relations. Few Republicans would support Mr Clinton's two other domestic priorities, of improving education and ensuring that the welfare reform Bill he reluctantly signed last year works in practice. These indeed are high possibilities – though probably even to achieve all of them would not turn Mr Clinton into a Great President. Only Washington, Lincoln and FDR are generally accorded that distinction, thanks to

the huge challenges that history have given them: the Revolutionary War, the Civil War, the Depression and the defeat of Nazi Germany. Fortunately for Americans, Mr Clinton presides over less interesting times. But why are expectations so low, and why the vague foreboding that the best of Clinton has already been seen?

Part of the answer is history. Second terms are usually disappointments, from the arrogance of FDR (though he would magnificently redeem himself in his third) to the fumbling of Reagan and the bumbling of Eisenhower, and to the catastrophe of Richard Nixon. Clinton, runs the conventional wisdom, will have a brief window of opportunity this year to throw out his famous bridge to the 21st century. Then he will be rudely shoved aside by the 1998 mid-term election battle, and the 2000 presidential race immediately thereafter.

In fact, the lame-duck theory is less than wholly convincing. Ronald Reagan made his

greatest historical legacy – the breakthrough encounter with Mikhail Gorbachev in 1985, which led to reciprocal superpower summits and arms control deals that were the beginning of the end of the Cold War – in his second term, much of it amid Iran-Contra, a scandal of government far worse than any bothering Mr Clinton right now. And does he not, aided by Madeleine Albright, his forceful Secretary of State-designate, have at least an equal opportunity of shaping world history in his second term: in the Middle East and the Balkans, with an post-Cold War accommodation between an expanded Nato and Russia, and perhaps even an understanding with China?

But this overlooks a crucial difference between the two men. Mr Reagan was trusted. Mr Clinton, despite a best-ever approval rating of more than 60 per cent, still is not. He remains a minority president, elected by the lowest turn-out of voters in three-quarters of a century, as the least bad of the options available, tolerated rather than loved. All of which makes the ethical clouds around the White House especially dangerous.

Probably none of them will drive Mr Clinton from office. At the risk of gross oversimplification, a boodle would set out the form this. The Paula Jones sexual harassment suit, if the Supreme Court allows it to proceed, will be squirmingly embarrassing, but not a matter for impeachment. Nor do the various run-ins from the Whitewater stable, at least as far as the President is concerned, seem to carry "high crimes and misdemeanours" potential – although indictment of Mrs Clinton by the special prosecutor Kenneth Starr remains a small but hideous possibility, whose impact on the Clinton presidency would be incalculable.

Then there is "Indogate", the seamy Asian fund-raising by the White House and the Democratic National Committee. The Republicans will make hay in Congress, but failing proof of a policy *quid pro quo*, in other words a bribe, the controversy is likely to peter out. But then who would have said, four years ago, that Whitewater would last twice as long as Watergate, with no end yet in sight? Let Bill Clinton enjoy his day – and at least avoid the fate of William Harrison, the ninth President. He was inaugurated, made an hour-long speech in the rain, caught pneumonia, and died a month later.

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obituaries / gazette

Stephen Fitz-Simon

Flashback in time to the Swing Sixties. The place is London. Among the usual colourful cast of pop stars, artist, actors and fashion photographers at the decade-long party, you would almost certainly notice a kohl-eyed vamp, her feather boa fluttering around a slinky low-cut sequined jacket. That is the Biba girl, embodiment of the innocent decadence of her time, brilliant brainchild of the designer Barbara Hulanicki and brought to life as the retailing phenomenon of the Sixties and Seventies by Barbara's husband, Fitz.

Just as Barbara swept great gusts of glamour into life, it was Stephen Fitz-Simon (known by all as Fitz) who turned the dusty business of fashion retailing on its head with his enormous sense of fun and constant air of amused cynicism. They made a glamorous couple and appeared so closely bonded it is impossible to talk about one without the other. Although it is her name that became the fashion legend, Barbara and Fitz created Biba together. It was Fitz who turned Barbara's remarkable style into solid retailing strategy. Yet he was an improbable candidate for a career in the fashion business.

The Fitz-Simons were a Norman-Irish family who had moved to England in 1909. Fitz, the son of a motor engineer, was born in 1937 and educated at Beaumont College, the Jesuit public school in Surrey (now closed). He claimed that after National Service he earned a living throwing darts in London pubs. In fact he went into advertising and had become an account executive at LPE (London Press Exchange) when his raffish good looks caught Barbara's attention across a crowded room at a party. Barbara says she decided then that he was the man for her.

The daughter of a Polish diplomat who was assassinated

in Palestine in 1948, Barbara had left Brighton art school by then and was a successful fashion illustrator. Fitz's handsome features were recognisable in many Hulanicki fashion sketches from 1959 on. They did not meet again for two years, by which time he was engaged to someone else. Fitz broke off his engagement and married Barbara in November 1961.

It was Fitz who first encouraged Barbara to design clothes and market them by mail order. In 1963 Biba's Postal Boutique – the name Biba was borrowed from one of Barbara's sisters – was tentatively launched. Their first major success came a year later – a pink and white gingham frock with Bardot-style headscarf to match. A record 17,000 gingham dresses sold, at 25 shillings (£1.25) each, after it was featured in the *Daily Mirror* in May 1964, with the Fitz-Simons' profit five bob a dress.

It was, however, Fitz's warmth up for the rag trade. By the time they opened the first Biba shop later that year, in a former chemist's in a Kensington side street, Fitz had given up his advertising job and had become a budding retail tycoon innovating such revolutionary ideas as late-night shopping, low-priced disposable glamour, haughty shop assistants and communal changing rooms. He also learnt fast how to estimate production costs to the nearest penny.

Much of his business was conducted in the local pub, where he took refuge when his tiny office behind the shop was commanded as a changing room, or when a supplier like Molly Parkin, who was making hats for the shop and became a firm friend, pursued him for payment. If stock sold out before fresh supplies were delivered, the shop just closed a bit early that day. A successful day's takings were celebrated with champagne or Fitz and Barbara might take the sales staff out for

dinner. I know – I was one of them.

By mid-1965 Biba moved to a larger shop on Kensington Church Street, in 1968, with sales in the Church Street shop booming, Fitz and Barbara launched the Biba mail-order catalogue. While it was initially a success, the expansion and investment involved with a 5,000 square feet warehouse in Chiswick, teams of quality controllers, packers and managers, meant for the first time that Biba was no longer a tightly controlled family business. The mail-order market, fickle at the best of times, was phased out after five seasons. In 1969, to finance Biba's move to their first large shop in Kensington High Street, the Fitz-Simons sold 75 per cent of the business to Dorothy Perkins.

Fitz relished the cut and thrust of running his retail empire. The day-to-day disasters that dog any venture were treated as a potential source of good-natured amusement. A warm, friendly man – and generous to a fault – he could be prickly and sharp in business deals, able to slug out any deal to his own satisfaction. He appreciated toughness in others too. When Barbara complained about a particularly overbearing employee, Fitz had employed, he said, "I know he's a right bastard, but that's what we were."

In 1972, even before Barbara and Fitz made their final move into Big Biba in the Derry & Toms building in Kensington High Street, they realised control of their empire was slipping from their hands. British Land had taken over Dorothy Perkins, Biba's major shareholder. Barbara got her vast five-storey Art Deco emporium and transformed it into a legendary temple to everything pink. "Fitz always made my fantasies come true," Barbara said. "We had many wild dreams."

Our problem was they always came true." In 1975, although Biba's end-of-year figures showed a profit – vindication that Fitz's instincts were right – the store closed. Biba's label was sold and today belongs to the Hong Kong entrepreneur Ellen Shek.

The Fitz-Simons moved to Brazil with their son, Witold, then eight, and two Great Danes and started all over again with a new shop in São Paulo. This time it was called Barbara Hulanicki and was an instant success. In 1980 they decided to move back to London, to give

their son a British education. They stayed just five years, established a cosmetics business, launched a children's clothes line in Japan and even opened another small shop.

When their son left school to go to college in New York to study film, they sold the cosmetics business and moved to Miami, where Barbara had been commissioned by Ronnie Wood to design his South Beach club, Woody's, and where she has built up a new career as an interior decorator. Fitz too was working, on a novel.

Photograph: Hulton Getty

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study film, they sold the cos-

metics business and moved to

Miami 16 January 1997.

Liz Smith

Stephen Charles Fitz-Simon, fashion retailer; born Surbiton 5 March 1937; married 1961 Barbara Hulanicki (one son); died Miami 16 January 1997.

Paul Tsongas



Paul Tsongas was a political oddity, an entrant in fiercely competitive US presidential politics who actually raised the standards of that notoriously dirty trade. The year was 1991, and the incumbent Republican George Bush was at the height of his post-Gulf-War popularity, seemingly so certain of re-election that no Democrat dared challenge him. But that May, amid little fanfare, one finally did – an uncelebrated former Massachusetts Senator named Paul Etheimios Tsongas.

At first the very notion defied logic. Tsongas had left Congress seven years earlier, he held no elected office in his native Massachusetts, and his health was uncertain. On a personal charisma scale of one to ten, he rated minus three, and his policy message might have been calculated to repel support.

Most candidates promise good things, but he offered pain: no gaudy tax cuts, and a shift in resources from consumption to investment, all in the name of balancing the budget and saving the country from financial ruin. But slowly Tsongas caught on.

Even if it long seemed he would finish no better than a worthy second to the Democrats' early-season sensation, the youthful Governor of Arkansas. But, as 1992 began, scandals of sex and alleged Vietnam draft-dodging erupted around Bill Clinton. Tsongas edged ahead and even won the traditionally crucial New Hampshire primary. Of course it could not last.

Clinton recovered in the Southern primaries which immediately followed, and, after resounding defeats in Illinois and Michigan in mid-March, Tsongas withdrew, both physically and financially exhausted.

But his impact lasted far longer. Indirectly, he heightened the impression of domestic policy fecklessness which would cost George Bush a second term. Then there is the memory of Tsongas' uncomplaining

new jobs, new loyalties (including marriage, for Grisewood, but not for Jones) meant dispersal, though friendships were kept in good and happy order by visits and, above all, by correspondence. Grisewood and Burns were two of the correspondents who made up the 1980 volume of Jones's letters, *Dai Greatcoat*, the third being René Hague, who edited it and who married Eric Gill's daughter Joan. Jones had for a time been engaged to another of Gill's daughters, Petula. This was part of a multi-way correspondence, supplemented rather than dam-

aged by the telephone. Jones, when he got through on the telephone, liked to chat for hours.

It was with Grisewood above all that Jones discussed his writings. "I do not think I should have continued, especially through the earlier stages, had it not been for the sensitive enthusiasm and understanding of Mr Harman Grisewood," Jones wrote in 1937 in the preface to *In Parenthesis*, a tribute which he was to repeat 15 years later in the preface to *The Anathemata*.

Jones had been a friend of mine from the early 1930s and had often spoken to me about this "marvellous chap, Harman Grisewood", but I don't think we met until 1966, when he briefly joined the editorial staff of the *Times*, where I had been working since 1952. Sir William Haley was then editor, and Grisewood had been closely involved in the genesis of the in-

novation of which Haley had been proudest during his time as Director General of the BBC – the Third Programme, of which Grisewood was to become the Second Controller.

Haley wanted to start *Diary*, and, after I suspect, a good deal of arm-twisting, persuaded Grisewood to prepare one and get it going. Grisewood was a very clubbable man and knew masses of people, but he was no more at ease in the job than Harold Nicolson had been as editor of the *Londoner's Diary* on the *Evening Standard*, and he stayed only six months. But how good it was to have him as a colleague, and so the privilege of another friendship and a fresh insight to those that had formed the "Chelsea thing".

Harman Grisewood was one of my husband Douglas's oldest friends, writes Nest Cleverdon.

They overlapped at Oxford in the 1920s, and were held together for the next 60 years by their mutual love and admiration for David Jones, that most unpractical of all poets and painters.

David was propped up all his life by a noble band of friends, and Harman was easily the most noble. It is doubtful if those two great books *In Parenthesis* and *The Anathemata* would ever have been written without his patient sympathy and practical help. After David's death, it fell to Harman to sort and edit his vast bulk of archive papers and to ensure that they were properly sorted and deposited; would that all writers had such a friend. His name should go down in literary history in the same category as Joseph Severn, John Keats's friend, or Cowper's beloved Johnny Johnson.

One other memory of Har-

man: a lunch at our Albany Street house in the Fifties; the guests mostly members of Ouds 30 years before – John Betjeman, Osbert Lancaster, J.T. Yates, John Crow. Conversation became more and more hilarious, and luncheon ended in an unforgettable cod-Shakespeare scene – Osbert as a pompous King, John Betjeman as an obnoxious Archbishop. Harman's gnome-like figure skipping in and out the Messenger with ever more and more unsuitable *Tidings*. Eventually they all left for Broadcasting House, in no fit state for the recording which had been planned, and I was left giggling into the washing up.

In my obituary I erroneously referred to Ampleforth College as a Jesuit boarding school instead of a Benedictine one, writes Leonard Miall, I apologise.

CASE SUMMARIES

20 January 1997

the legal capacity to consent to the transaction and to respond to relevant inquiries.

Jonathan H. Marks (Eversheds, Cardiff) for the plaintiff mortgagee; the defendant in person.

VAT

Customs & Excise Commissary v Bassinet; CA (Evans, Henry, Aldous LJ) 20 Nov 1996.

Where a house was held on trust, the presence in the house of an infant beneficiary when it was mortgaged by a sole trustee did not support a claim that the mortgagee took subject to an overriding interest in favour of that beneficiary. Such a presence could not amount to "actual occupation" for the purpose of s 70(1)(g) of the Land Registration Act 1925 because an infant, even if not occupying in the shadow of a parent or other adult, lacked

VAT under the Tour Operators' Margin Scheme, in Customs leaflet 70/5/88, were not permitted to elect retrospectively not to use the standard method of calculation provided by the scheme. Under the standard method, all supplies by third parties to the tour operator's customers were covered, whether they were enjoyed but election might be made to account separately for supplies made to customers within the EC and those outside. Election to use the alternative method had to be made at the latest at the end of the taxpayer's financial year when adjusted accounts became due.

Roderick Cordon QC, *Prudential Corp. (Garnett & Co., Leeds)* for Aspro; Kenneth Parker QC (Customs & Excise).

Births, Marriages & Deaths

DEATHS

HAWKINS: On 13 January, suddenly, Tristan, aged 33 years. Director of Rapport Learning Ltd and author of novels published by HarperCollins. Much loved by all his family and friends. Service, which will be a celebration of his life, to be held at St John's Church, St Leonards-on-Sea, Croydon on Monday 27 January at 1.30pm. No flowers by request.

TURNER: Steven, formerly of Cookham. Suddenly on 9 January 1997, aged 29. Funeral at Chiltern Crematorium, Amersham, on Monday 27 January at 3pm.

Changing of the Guard
The Household Cavalry Mounted Regiment
The Queen's Life Guard at Horse Guards, 11pm.

Birthdays

Dr Edwin (Buzz) Aldrin, astronaut, 67; Mr Tom Baker, actor, 61; Sir John Chardwick, High Court judge, 56; Air Marshal Sir David Cousins, Air Member for Personnel, 54; Mr Derek Dougan, sports medicine co-ordinator, 59; The Very Revd David Edwards, Provost Emeritus of Southwark Cathedral, 68; Lord Ewing of Kirkcaldy, 75; Richard Le Gallienne, writer, 1886; Huide Leibster (Leadbelly), blues artist, 1895; George Burns (Nathan Birnbaum), comedian, writer and producer, 1895; Colin Clive (Clyde Greig), actor, 1898; Joy Friederike Victoria (Gisela) Adamson, companion of wild animal and author, 1910; Federico Fellini, film director, 1920; Deaths: David Garrick, actor, 1779; Sir John Soane, architect, 1837; Jean-François Millet, painter, 1875; Richard Dodridge Blackmore, novelist, 1901; John Ruskin, social reformer, art critic and writer, 1900; Charles Montagu Doughty, poet and traveller, 1926; King George V, 1936; Edmund Charles Blunden, poet and critic, 1974; Derek Heathcote Amory, first Viscount Amory, statesman, 1981.

Anniversaries

Birdie Andre-Marie Ampère, physicist, 1775; Richard Le Gallienne, writer, 1886; Huide Leibster (Leadbelly), blues artist, 1895; George Burns (Nathan Birnbaum), comedian, writer and producer, 1895; Colin Clive (Clyde Greig), actor, 1898; Joy Friederike Victoria (Gisela) Adamson, companion of wild animal and author, 1910; Federico Fellini, film director, 1920; Deaths: David Garrick, actor, 1779; Sir John Soane, architect, 1837; Jean-François Millet, painter, 1875; Richard Dodridge Blackmore, novelist, 1901; John Ruskin, social reformer, art critic and writer, 1900; Charles Montagu Doughty, poet and traveller, 1926; King George V, 1936; Edmund Charles Blunden, poet and critic, 1974; Derek Heathcote Amory, first Viscount Amory, statesman, 1981.

(Peter John) Johnny Weismuller, actor and swimmer, 1894; Sir Robert Brown Fraser, first Director-General of ITA, 1985; Audrey Hepburn (Edda van Heemstra Hepburn-Ruston), actress, 1993; Sir Matt (Matthew) Busby, football manager and president, 1994. On this day, the trial of King Charles I began, 1649; Hong Kong was ceded to Britain by China, 1841; the Mersey Railway Tunnel was opened by the Prince of Wales, 1886; the first game of basketball was played, 1892; the RAF dropped 2,500 tons of bombs on Berlin, 1944; John Fitzgerald Kennedy was inaugurated as the 35th US President, 1961; Bill Clinton was sworn in as 42nd US President, 1993. Today is the Feast Day of St Euthymius the Great, St Fabian, St Fechin and St Sebastian.

Lectures

Leicester University: Professor R.P. Wiseman, "Catullus and Lesbia", 5.15pm.

Ronald Mason

A master of legitimate exaggeration, Ronald Mason was a spell-binding teller of tales. He was also a character about whom many stories were, and will continue to be, told. Most have a comic edge, all of them are full of drama.

Born into the Protestant, professional classes in Ballymena, where he shared an early education with Ian Paisley, Mason seemingly possessed all the conventional attributes which an Englishman might associate with such an Ulster background. This perception was reinforced by a euphonious, educated Ulster accent and an ability to speak, as well as write, in complex, Latinate, Cromwellian English full of clauses, sub-clauses, simile and metaphor, peppered with literary or biblical quotes (and misquotes) and always beautifully punctuated, even for the receiving ear. All this was perfectly in accord with a cultured graduate of Queen's University, Belfast, who began his career teaching English and French in Coleraine in the late 1940s.

Yet there was a historic element to this mode of speech which indicated all was not authoritarianism and the classic virtues. There was a highly dramatic lengthening and teasing out of the vowels used for forceful or comic effect, something which friends and colleagues loved to imitate – and he knew it. Behind the self-dramatisation was a wonderful sense of fun in the story-telling and the ability to puncture a more serious self with objective humour and self-deprecating.

What one remembers most about Ronald Mason – for 10 years Head of BBC Radio Drama – is not the way he looked, but the way he spoke. He was both poet and politician, creator and administrator. The tension between these two elements always made for excitement and it was a duality reflected in his BBC career which achieved a perfect synthesis when he took over Radio Drama in 1976. The public servant, Ronald, came together with the slightly Bohemian drama director, Ronnie. But worse befell any unfortunate who transgressed in confusing the private and familiar "Ronnie" with the public person "Ronald". Great was the Ulster wrath which could descend.

The seventh child of a seventh child, he had a sixth premonitory sense and an unexpected feyness behind the strictness and decisiveness which appealed to writers and actors. He himself was a good amateur actor, particularly at university, and had entertained the idea of taking up acting professionally. He had also entertained the notion of becoming a politician. Mercifully he did neither, but combined these aptitudes for the encouragement and enablement of others. After six years as a teacher he joined the BBC as a radio producer in Belfast in 1955. There he worked with Irish writers such as Sam Thompson and Stewart Lowe and, most especially, Brian Friel amongst whose plays directed by him were *Philadelphia Here I Come!*, *The Loves of Casanova and Winnetka*, which won the BBC Prix Italia entry for radio drama in 1968. During a period with BBC television in the mid-1960s he directed Brian Friel's *The Enemy Within*, and was responsible for the series *Double Image*. He also directed plays for the theatre at Harrogate, Richmond (Yorkshire) and in Northern Ireland.

David was propped up all his life by a noble band of friends, and Harman was easily the most noble. It is doubtful if those two great books *In Parenthesis* and *The Anathemata* would ever have been written without his patient sympathy and practical help. After David's death, it fell to Harman to sort and edit his vast bulk of archive papers and to ensure that they were properly sorted and deposited; would that all writers had such a friend. His name should go down in literary history in the same category as Joseph Severn, John Keats's friend, or Cowper's beloved Johnny Johnson.

In my obituary I erroneously referred to Ampleforth College as a Jesuit boarding school instead of a

In 1962 he had transferred from Belfast to the Radio Drama department in London and there he became Executive Director of an innovative series of 15-minute-long single-broadcast every weekend evening at 11.45pm under the title *Star Before Midnight*. The series gave great character to new playwrights, among them the young Tom Stoppard. For weightier fare, he was the producer of a 40-in-hour-long serial *Peace*, plays by Ibsen, Shaw and Eugene O'Neill, as well as writers Marguerite Duras, James Hanley and Christopher Hampton. These were headlined creative years.

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business & city

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BUSINESS & CITY EDITOR: JEREMY WARNER



Nicola Horlick: Selected to rebuild morale last autumn

Jill Treanor
Banking Correspondent

Morgan Grenfell Asset Management's top fund managers are set to go into battle this week to prevent their business falling apart after clients' concerns about the stability of the operation were reawakened by the controversial departure of Nicola Horlick.

They will also seek to quash rumours that senior management at the bank's head office in Frankfurt, where the parent company Deutsche Bank is

based, are furious about the way the London management of MGAM handled her resignation.

Deutsche Morgan Grenfell, the investment banking arm of Deutsche which runs MGAM, yesterday denied a rift between Frankfurt and London. "There is not one millimetre of difference between Deutsche Bank and MGAM," a spokesman said.

The high-profile departure, which involved a mad-dash trip by Mrs Horlick to Frankfurt on Friday to ask for her £1m-a-year job back, accompanied by a press pack, is a setback for the

fund management group's attempts to repair the damage caused by the Peter Young scandal in September.

She was one of the key fund managers selected to mend client relationships and rebuild staff morale after MGAM discovered that Mr Young, once a star fund manager, had set up a complex web of Luxembourg holding companies to hide the extent of his investments in unlisted companies.

But her efforts late last year to reassure clients may have gone to waste. Pension fund trustees

are by nature cautious and crave stability, so the events of last week will have done little to reinforce confidence in MGAM's management structure.

"This is entirely the opposite of what Morgan Grenfell should have been doing," said one pensions fund adviser. "It can't be anything but upsetting for Morgan Grenfell clients," said another pensions expert.

The Peter Young scandal is at the root of last week's events, because it forced the resignations last year of a number of key MGAM executives, including

Keith Percy, chief executive, who hired Mrs Horlick.

A management buyout of the business after the Peter Young scandal is rumoured to have been discussed, although sources believe it would have failed.

Her departure, so close to Mr Percy's, is adding to clients' worries. "There's been a loss of two important people from the organisation who have contributed positive returns," said one top pensions consultant.

John Conroy, head of European asset investments at

Towers Perrin, said: "The real problem is that it's going to be perceived as mismanagement by Morgan Grenfell in quite a serious way. We've told clients that it needs very careful consideration and advised our clients that this is quite serious and worthy of investigation."

But because it is costly to change managers, few advisers predict a sudden loss of business.

"I don't get any sense of an imminent exodus at all, and we won't get a sense of that until the trustees meet later in the year," said a pensions consultant.

Mr Smith acknowledged over the weekend that the firm may lose some business as a result of the affair but played down its long-term impact.

One client, Alan Bennet, pensions director at Whitbread, said he would wait for further developments before making any decision about pulling a mandate from the firm. "Morgan Grenfell have done a good job for us," he said.

Last week MGAM wrote to its pension fund clients to assure them the remaining fund managers would stay with the firm.

The £34bn tax hikes Labour could impose

Diane Coyle
Economics Editor

New research published today by investment bankers NatWest Markets presents a speculative but plausible list of tax increases adding up to nearly £34bn which a Labour government could introduce within the lifetime of a parliament.

As Gordon Brown, the shadow chancellor, kicks off a long-awaited series of speeches about his tax and spending plans today, NatWest's City economists have begun to flesh out the detail of Labour's policies for themselves.

The list is headed by the windfall tax on which Mr Brown will focus in his speech. The amount the party plans to raise from this has crept up from about £3bn originally to £10bn now.

Despite a ferocious lobbying campaign against the tax, with opponents raising the spectre of a legal challenge, Labour is utterly determined to introduce it in order to fund its plans to get a quarter of a million of the long-term unemployed into work. The windfall tax is also that rare thing, a politically popular tax.

The authors of the NatWest paper, Geoffrey Dicks and John O'Sullivan, reckon the next most likely bets are raising the rate of corporation tax from 33

per cent to 35 per cent, and phasing out Miras, the tax relief on mortgage interest payments. Together these could raise more than £4bn in a full year.

The UK has a relatively low corporate tax rate now, while strong profits mean the increase would raise a lot of revenue at this stage of the business cycle.

Labour could point out, the paper says, that the burden of putting the public finances on a sounder footing after the last election was borne entirely by individuals. A reversal of the [1991] cut in corporation tax would redress the balance, it says.

Abolishing Miras, the benefit of which has already been steadily reduced by successive Conservative chancellors, would end a subsidy to the housing market that economists have long criticised, at a time when long-term prices mean the market would be able to bear it.

Getting rid of Miras would mean in effect increasing taxes on home-owners without breaking any pledges about not raising income taxes.

The list subsequently turns to more controversial measures, with the next three items amounting to income tax increases. Together, the three income tax measures could bring in more than £6bn.

Ending the upper earnings

limit on national insurance contributions would eliminate an untidy fall in the upward progression of marginal tax rates.

It would raise tax on middle and upper income earners, and could be packaged with Mr Brown's plans to introduce a 10 to 15 per cent income tax starting rate.

Phasing out the married couples' allowance, already restricted to 15 per cent by the Conservatives, and restricting relief on personal allowances to the basic rate of income tax, would also make the income tax system simpler and more progressive.

Tampering with income tax might appear to be too much of an electoral hot potato for these to be plausible candidates.

However, the paper recommends two possible corporate tax measures that appear to be closer to Labour's thinking.

One is the removal of tax relief on companies' interest payments, in order to end the tax system's encouragement of debt over equity finance.

The other is the withdrawal of the advance corporation tax credit. These could yield potentially huge revenues.

Finally, the authors consider the extension of VAT to private health and school fees and the introduction of motorway tolls as outside bets.

More than £25m a year is bet on horse races by people with inside information, according to a paper published yesterday by the Economic and Social Research Council. This is 2 per cent of the total wagered on racing every year, writes Peter Rodgers.

The new statistical techniques used to identify the problem could be employed in the financial markets to identify patterns of insider trading activity, the researchers say in the January issue of the *Economic Journal*.

Using an analysis of betting

data on 5,000 horses during the 1992 flat racing season, Leighton Vaughan Williams and David Paton of Nottingham Trent University have identified insider trading patterns by looking at the behaviour of bookmakers in setting odds.

To avoid being stung, bookies

shorten the odds on horses – and raise their profit margins – on certain types of race where they suspect insider knowledge is being used by punters.

This applies particularly to long-shot horses in little known races with large numbers of entrants, where bookmakers are

most fearful of insider activity. Only in high-class handicap races, which are subject to intense media scrutiny, are the researchers unable to identify any insider trading effects at all.

The ESRC said the research came soon after the Jockey Club admitted the industry

was rife with corruption and race-fixing and that some jockeys were receiving sexual favours in return for inside information. All punters feel the effects of insider trading because of the bookies' reaction in reducing odds, especially on long-shots, the paper said.

The researchers added: "Not all insider trading is illegal in betting circles. Even so, these findings can only provide further ammunition to those seeking to crack down on illegal practices in the racing industry."

IN BRIEF

• **Liberty International**, the financial services group, tomorrow launches a new low-cost pensions firm called PensionStore, which it said would pay no commission or bonuses to sales staff, and would employ no door-to-door salesmen or cold calling. Liberty said charges would be transparent, with 2 per cent levied on each payment into a fund and 1 per cent a year to cover fund management costs. There will be no charges for increasing or decreasing payments, for taking a break in payments for any reason or for transferring a pension. The move comes days after Eagle Star stepped up competition in the industry with a new low-cost pension.

• Two thirds of small business owners believe a minimum wage of £4 an hour would have no effect on their firms, and another 6 per cent believe it would help the business, according to a quarterly survey by Office World. The survey also found that 28 per cent of firms believe a Labour government would hurt their businesses.

• A record number of the world's leading property investors and bankers are bullish about prospects for the commercial property market in London, but international bankers have become increasingly nervous about the consequences of a change in government, according to a new survey commissioned by Richard Ellis the property consultants, from SNC. Some 90 per cent of the bankers interviewed felt a Labour government would raise short-term interest rates while 82 per cent feared a rise in inflation.

• Employers in the UK spend between 20 and 40 per cent of their payroll on providing benefits for their staff, according to a new survey of firms throughout the UK. Yet almost 80 per cent of employers believe that their staff rarely appreciate what is on offer to them. Barely half the 3,000 companies surveyed by *Employee Benefits*, a new monthly magazine, believed their employees fully understood the full range of benefits available to them.

• Corporate profits in the UK have finally passed their pre-recession level but industry has not invested enough in the future and is relying on increased consumer spending and inward investment to sustain the recovery, according to a survey by CCN, the information company.

British Gas could lose 10% of customers on day one

Chris Godsmark
Business Correspondent

British Gas is likely to lose 10 per cent of its customers on the first day of trials of domestic competition, starting in the South of England from next month, according to the latest forecast from one of the leading independent suppliers.

Calortex, a joint venture formed by Calor and Texaco, said it had analysed advance contracts signed by its marketing team which showed the interest in moving from British Gas was much stronger than in the first competition trial, which began in the South-West last May.

In this earlier trial about 6 per cent of customers switched on the first day through advance orders, a figure which disappointed some suppliers.

The forecast would mean British Gas could lose around 150,000 customers on the first day of the second phase of the competition trials alone. If the same occurred when full competition is introduced by next year it would mean some

2 million homes rejecting British Gas.

So far 14 companies have been granted licences to sell gas in the second phase of the trials, involving 1.5 million households, which starts in Avon and Dorset from 10 February and in Kent and Sussex from 7 March. Ofgas, the industry watchdog, granted four new licences last week, of which three went to regional electricity companies.

The new trials are seen as industry experts as the real test of whether British Gas will lose a substantial chunk of its customer base, following well publicised complaints over service and billing problems.

Neil Lambert, joint general manager of Calortex, said: "We've found the switch rate is definitely much higher in the second phase than in the first phase. It could easily reach 10 per cent of customers in both sides of the market. Research we did in the South-West suggested people there were less likely to change supplier than in other parts of the country. In the

South-east people are less conservative.

Almost 87,000 customers have so far moved from British Gas in the earlier trial, which involves 500,000 homes in Devon, Cornwall and Somerset. Calortex is thought to be the market leader in the South-West after British Gas.

Customers have been lured by discounts of up to 25 per cent from British Gas prices, with most offering to cut more than 15 per cent off gas bills. Rival companies can take advantage of last year's massive drop in the market price of gas, while British Gas is locked into buying gas at around 25 per cent above the "spot" price through its "take-or-pay" contracts.

A spokesman for British Gas Trading, the supply business, said it was too early to make accurate predictions about the second and competition trials. "It's all just guesswork at the moment. We're obliged to lose market share anyway because we're the incumbent monopoly supplier at the moment. But the indicators were in the South-West."

BP also said its share of the UK commercial and industrial gas market had more than doubled since August last year when it restructured its gas marketing activities. It is second to British Gas.

Cook ups profit and dividend forecasts

William Cook yesterday announced an increased profit forecast for the year as Trelleborg examined whether to raise its £50m hostile offer for the Sheffield steel castings firm, writes Peter Rodgers.

The defending company said that in the year to March its profit would be "not less than £1m" before tax, on the strength of recent strong trading and improving order books. The dividend forecast was also raised to 15p for the full year.

The bid from Trelleborg is at 309p against Friday's close of 370p, and the City is convinced that Trelleborg will have to decide later this week whether to bid again at well above 400p or withdraw.

William Cook's shares have been tightly held and not widely

traded, with eight institutions owning 60 per cent and family members owning another 7.5 per cent.

William Cook has claimed that this illiquid market in the shares has depressed the market price. This has not reflected the full value of the company, whose rating is low compared with the rest of the sector.

Andrew Cook, chairman, said there were further new orders on the cards as rail companies bought new rolling stock to fulfil franchise commitments, and he urged investors to reject the Trelleborg bid.

The figures were dismissed as an "immaterial increase" by Trelleborg, which said the latest forecast dividend was still below the level paid in 1991.

Change to Interest Rates

With effect from start of business on 20th January 1997 the interest rate set out below becomes applicable to all Practice Call Accounts whatever the balance.

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GROSS% 4.5% 4.58%

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STOCK MARKETS									
FTSE 100									
Aug 96	4207.70	+151.1	+3.7	4207.70	3632.30	3.70			
Sept 96	4583.40	+75.6	+1.7	4583.40	4015.30	3.40			
Oct 96	2087.70	+66.4	+3.3	2087.70	1816.60	3.64			
Nov 96	2287.88	+53.2	+2.4	2287.88	1954.06	2.95			
Dec 96	2061.07	+64.2	+3.2	2061.07	1791.95	3.58			
New York	6833.10	+129.3	+1.9	6833.10	5032.94	1.98			
Tokyo	18090.04	+786.4	+4.5	18090.04	12666.80	1.80			
Hong Kong	13856.40	+664.9	+5.0	13856.40	10304.87	0.86			

to clients.

Mr Smith acknowledged the weekend that the firm of the affair but played down its long-term impact.

One client, Alan Hargreaves, director at Whitehills, said he would wait for further payments before making a judgement about fully switching from the firm. "I've had a good relationship with them," he said.

Last week Mr Hargreaves, the pension fund manager, told the press of his decision to leave the firm, along with the rest of the team.



GAVYN DAVIES

The vacancies total has risen by a remarkable 40 per cent during 1996, to a level consistent with GDP growth of well above 4 per cent, which would almost certainly lead to a rise in inflation pressures if seen during 1997.

Press reports have suggested that officials of both the Treasury and the Bank of England recommended that the Chancellor should have raised interest rates last Wednesday, but once again Ken Clarke turned down this advice. Despite the fact that Christmas retail sales were only so-so and that recent inflation data have been encouraging, at least in the manufacturing sector, it seems to me that the balance of the argument once again favours the politically impartial judgement of Bank and Treasury officials, rather than that of the Chancellor. Nevertheless, the case is by no means open and shut. There are three main areas for debate.

The first is the extent of labour market tightness in the economy at present. The official unemployment statistics which were published last week for December would certainly seem to leave no room for debate.

The decline of 45,000 in the claimant total (a definition which includes only those unemployed people actually claiming benefit), following the record drop of 95,000 the previous month, means that the official figures have never before fallen as fast as they did in the final quarter of 1996.

Yet there are definite reasons for believing that these figures are distorted. According to the Department for Employment, the replacement of unemployment benefit by the jobseekers' allowance has reduced the claimant total by a maximum of 35,000 in the past two months, which explains about one quarter of the decline.

Furthermore, the alternative important source of information about the labour market – the Labour Force Survey (LFS), which is based on sample surveys of the population at large – indicates that a significant proportion of the rise in unemployment between last September and November might have been due to a toughening in benefit procedures.

Between these months, the LFS shows that

claimant unemployment fell by 117,000, while non-claimant unemployment actually rose by 85,000, a combination which suggests that a large number of people have been pushed off benefit and into the 'lump' of invisible unemployment. If this is indeed the case, then the labour market is not tightening by anything like as much as the decline in the claimant unemployment total suggests.

Even allowing for this factor, however, there is plenty to worry about. As the graph shows, the ratio of unfilled job vacancies to short-term unemployed, which is one good measure of labour market slack, has risen to record levels, both on the LFS and on the claimant measure of unemployment.

The vacancies total has risen by a remarkable 40 per cent during 1996, and in the past the current level of vacancies has always been consistent with GDP growth of well above 4 per cent, a figure which would almost certainly lead to a rise in inflation pressures if seen during 1997.

This brings us to the second area for debate, which is the accuracy of the GDP figures. This is clearly crucial for Mr Clarke, since every time the Chancellor takes a decision on base rates, he refers to recent

GDP growth as one of the prime considerations in his mind.

On the latest published data it seems that GDP in 1996 has expanded by only 2.3 per cent. Taken at face value, this looks like a comfortable situation, in view of the fact that the underlying growth of capacity in the economy is probably around 2.5 per cent per annum, and that the level of output may still be about 0.3 per cent below trend.

But the conclusion would look very different if the government statisticians were under-recording the level and growth of GDP by a meaningful amount, as they have frequently done in the past.

Unfortunately, it seems quite likely that this will turn out to be the case, even though the Office for National Statistics (ONS) has been making strenuous efforts to correct the problem.

The graph (prepared by David Walton of Goldman Sachs) shows how important the mismeasurement of GDP could prove to be in assessing whether the economy is currently generating latent inflationary pressures.

After a recent study of their own past track record, ONS statisticians have reported that

their initial estimates of the annual rate of

GDP growth typically prove around 0.7 per cent too low during the upswing phase of the economic cycle. Using this result, Walton calculates that the correct level of output at present is 2 per cent higher than the official data indicate, which in turn is only fractionally below the normal capacity of the economy.

Furthermore, if we make the more pessimistic assumption that GDP is being under-recorded by the same amount as it was during the exact same phase in the 1980s economic upswing, then output is actually a little above capacity.

Although this may seem to be straining every sinew to see the dark side of life, it would certainly explain why the labour market is tightening so markedly at present. And since the growth of output looks certain to be above trend this year, the situation is likely to worsen before it improves. When Goldman Sachs has argued this before, some people have accused us of making up the GDP data to suit our purposes. We disagree.

If the ONS openly admits that it has a repeated tendency to underestimate GDP in the present phase of the cycle, then this is surely something which we should build into our central assessment of economic

conditions today – or we should certainly do so if we have a risk-averse approach to the control of inflation. If policymakers had done this at similar junctures in the past, some of our most damaging macro-economic policy errors would have been avoided.

This leaves the third and most difficult area for debate, which is whether the rise in sterling obviates the need for higher interest rates at home. The Chancellor seems to think so, to judge from the vehemence way he described the disinflationary effects of sterling's rise on Thursday.

In fact, listening to his emphasis on the exchange rate, it was hard to imagine another rise in base rates occurring before the election. He has a point here. If sterling stays where it is, then it will tighten overall monetary conditions enough to ensure that the inflation target is hit over the next 18 months, even with base rates no higher than the present 6 per cent.

In fact, when we weight together sterling and interest rates into a single monetary indicator (a procedure which the Bank of England hates, with some justification), we find that, thanks to sterling, monetary policy has already tightened by more in the current episode than it did in 1994/95, when base rates rose by a point and a half.

But the great question is whether sterling should remain this high if base rates do not rise. Much of the exchange rate appreciation has been directly due to the anticipation of higher base rates, while a significant element is quite frankly, difficult to explain in terms of standard or "fundamental" economic models.

Probably some of the rise will therefore prove "frothy" and unreliable, while much of the rest is dependent on the Chancellor eventually choosing to raise base rates.

If we arrive in the summer without a significant further base-rate rise, sterling will drop back and latent inflation pressures will be unleashed.

Scottish fund managers have their own upheavals to contend with, reports Magnus Grimond



Edinburgh: Not such a haven of stability these days

Photograph: Geraint Lewis

Turmoil spreads north of the border

There is very little feeling of *Schadenfreude* north of the border over the fate of Nicola Horlick, the head of Morgan Grenfell's pensions business suspended after allegations that she tried to lead a mass defection from the group. The Scottish fund management industry is still feeling bloodied, if mostly unbowed, in the face of its own upheavals.

Ivory & Sime, one of the pillars of the Scottish industry, is shortly expected to announce appointments to plug some of the gaping holes that have opened up since it was hit by a new wave of staff defections last week.

News of the latest departures from the Charlotte Square-based group drew groans rather than stunned surprise from its rivals, given that the uneasy relationship between Ivory & Sime and its senior employees has been a theme running through its activities for at least 20 years.

The imminent departure of Mark Tyndall, head of Ivory's UK investment department, Lindsay Whitelaw, manager of its Baronsfield investment trust, and John Todd, leader of the smaller companies team along with his deputy Derek Stuart to set up their own "boutique" fund management operation follows a well-trodden path.

The genesis of fund managers Ivory & Company, now Stewart Ivory, in 1980 was the departure of directors from I&S, while 10 years later, five senior Ivory & Sime executives left to set up Aberforth Partners.

It is clear that the problems at Ivory & Sime have not been cured by the arrival of the wealthy Cayzer family's Caledonia Investments with what was in effect a controlling stake of just under 30 per cent in 1994.

Colin Hook, the former army officer put in as managing director by Caledonia, has been criticised for his autocratic management style.

One senior Edinburgh fund manager described him as: "a spare, ascetic, ram-rod figure: distant and rather unapproachable. He is very determined, with a clear idea of

what he wants and where he is going, but not a very sympathetic figure to drag along those he wants to take with him."

His decision to remove fund managers from the board and replace them with "businessmen like himself" bruised some fragile egos and is likely to have contributed to the problems, according to this source.

But while the travails of Ivory & Sime may be largely self-inflicted, they are giving little satisfaction to the rest of the industry. Once a picture of stability when viewed against the maelstrom of scandal and defections which have rocked the City of London, the waves from the South have started to lap against the shores of Charlotte Square.

The sale of Dunedin to Edinburgh Fund Managers by the Bank of Scotland nearly a year ago was precipitated by an unprecedented wave of senior staff departures.

Then in October came the news that General Accident, with £26m under management, was moving its main investment department from Perth to London, with the loss of 30 fund management jobs in Scotland.

Hamish Buchan, the well respected investment trust analyst at NatWest Markets in Edinburgh, says these problems tend to take a higher profile in the relatively small world of the Scottish financial scene. But he concedes: "As a Scot and a board member of [the Government-backed] Scottish Financial Enterprise, I am not encouraged by this. I am by temperament more of a bear than a bull."

Once the perception was that the industry north of the border turned in a superior performance to its London counterpart. "Since Big Bang, the image of the average Scottish fund manager being more isolated, more analytical, has gone, now that everyone works off a screen," says Mr Buchan.

Mike Belfour, joint managing director of Edinburgh Fund Managers, thinks the industry needs to sell itself more. "I think the Scots have been slow off the ground to market properly and the City of London has been some way ahead of us in that."

But he believes there are still tremendous opportunities for Scottish players as the big, integrated houses south of the border rack up problems with performance and compliance.

Such confidence is only partially shared by Colin McLean, founder of Scottish Value Management, a small fund management group which has made waves in recent years.

He sees Ivory & Sime's difficulties as just part of the declining margins and moves towards indexation or "passive management" of funds which are hitting the industry worldwide.

Many Scots fund managers would agree that these trends have had a disproportionate effect on medium-sized groups, in the £2bn to £10bn bracket.

Not large enough to handle the big fund mandates, where indexation is playing an increasing role, some have found it difficult to compete against the boutique groups for the more digestible actively managed portfolios.

The Scottish industry, heavily concentrated in this part of the market, looks particularly vulnerable. Mr McLean believes that as long as it retains its stability, the strength of Scotland's still mainly unquoted industry – leanly managed and nimble – will show through.

But the unstated threat nagging at many in the industry is that more bad publicity of the type it has suffered over the past 18 months could wipe out its reputation and with it that unique selling proposition which has made it so successful.

Overseas predators target UK firms

Worries over Britain's attitude towards monetary union have not deterred foreign firms from rushing to snap up UK firms, making them Europe's number one takeover targets, a survey revealed today.

The study, for the corporate finance arm of accountants KPMG, found that sales of UK businesses to overseas buyers reached a new high of \$38.5bn (£23bn) in 1996, up 8 per cent on the previous year.

Some 5,500 cross-border deals

were included in the survey. Foreign takeovers of UK firms exceeded the total for all the other European Union countries combined, the survey discovered.

The head of mergers and acquisitions at KPMG corporate finance, Stephen Barrett, said:

"International companies evidently believe that the UK is the best base for expansion in Europe – and they are not being put off by the prospect of Britain missing the first stage of European monetary union."

American firms headed the spending spree, splashing out more than £1bn on UK takeovers, particularly in the rush to buy regional electricity companies (RECs).

Among the RECs snapped up by US utilities were London Electricity, East Midlands Electricity and Northern Electric, although not without a protracted fight in Northern's case.

But while the world investment scene may continue to accelerate, Britain may see a

slowdown in 1997, Mr Barrett said, as a hiatus inevitably comes with an election, regardless of the political outcome.

And because the RECs are mostly in foreign hands now, with only a couple still independent, the boost which came in 1996 will be missing.

While German and French firms cut their investment in the UK, other countries were waiting to take their places.

World-wide, US firms

targeted UK firms, attracting a record £41bn worth of mergers.

The value of UK firms sold topped the level of foreign firms bought by British companies for the second year running.

In the buying stakes, Britain regained its appetite for overseas deals, spending more than £20bn, up almost a quarter on the previous year. The US proved to be the top target for UK firms as acquisitions rose 25 per cent to £9.3bn, followed by France, Germany and Australia.

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science

Transplants? Pigs might fly

Saving human lives with animal organs seems less likely after a report last week revealed new genetic concerns. Could we still put pig hearts in our chests? **Charles Arthur** reports



Inoperable: a successful transplant of pig parts into humans is likely to remain as unattainable as a silk purse

Photograph: Andy Stenning

Pigs don't get gout. This may seem a peculiar piece of knowledge – that swine never have to worry about the excruciating pain caused by uric acid crystallising in their extremities.

But for thousands of people waiting for organ transplants, it may be an important fact, and could mean that the science of xenotransplants – animal-to-human transplants – will not work.

Pigs' goutlessness points up some significant differences between humans and pigs: and it highlights some of the significant gaps in our scientific knowledge in this area.

First, the background. Last week, a report into the ethical and scientific issues of xenotransplants, by a committee chaired by Professor Ian Kennedy of King's College London, approved the procedure on ethical grounds.

But they were less sure about the scientific ground. They were especially concerned about new evidence suggesting that genes coding for Aids-like viruses known as retroviruses, which have become incorporated by evolution into pigs'

DNA, could pass to humans undergoing xenotransplants.

Accordingly, they recommended a delay on allowing xenotransplants until the scientific evidence is clear. The Government, still smarting from the effects of BSE and worries over Creutzfeldt-Jakob Disease (CJD), seemed happy to accept such advice.

Even the basic science of xenotransplants is complex. Each of our cells contains a "flag" on its surface which identifies it as, first, ours, and secondly, human. If you were to transplant a pig organ into a human, the blood vessels of the implanted organ would be broken down within hours by an immune reaction generated by the human system. It was tried in India last year. Both organ and patient died.

There is no denying the demand for more organs. At least 6,000 people are waiting for transplants in the UK.

Imutran, a Cambridge-based company which includes transplant specialists from Papworth Hospital, has thus developed pigs which contain human genes. This means that each of the pigs' cells carries a

human "flag". In theory, at least, this should mean that you could implant one of those organs into a human being and, using the same immuno-suppressive drugs as in a human-to-human transplant, extend the patient's life. Monkeys given pig hearts in trials by Imutran have survived for up to 63 days, says Christopher Samler, the company's chief executive.

But that doesn't compare well with people, where a human heart or kidney transplant can give years of added life. And there are still areas in which the whole science of xenotransplants is very vague.

Retroviruses received the most publicity. These incorporate their genetic material into the host's; it is copied each time that cell reproduces. Eventually, the virus is activated, when it may kill the host – or do nothing. Examples have been found in mice, chickens – and, crucially, in pigs. Humans may have them too, lurking in DNA.

A pig retrovirus, though, might have a devastating effect on a human, and on the human population. Nothing would be predictable about its infectiousness or

effects. It may not harm pigs – they've had millions of years to adapt to them. Humans have not.

Last year, Professor David Onions, of Glasgow Veterinary School, discovered such a retrovirus in pig DNA. It could multiply in human cells in laboratory culture. But he says, "that doesn't necessarily mean that it is expressed in the whole animal." He explains: "The bulk of evidence is that these [retrovirus] genes are totally switched off in normal situations. We have the molecular sequence of the retrovirus, so we can see if it is expressed after the transplant."

He expects that the results will be available before autumn. He hopes they are negative: "If they are, it's for others to review them. But I would think you could go ahead with the transplantation trials in humans, providing they were fully informed of the risks."

But Professor Robin Weiss, of the Institute of Cancer Research, thinks that would be premature, overlooking the reality of results which are known – that new infectious diseases can pass from animals to humans, and that they can

be more serious in the new form than in the old.

"What if a microbe grows in the recipient's tissue and is passed to everyone they contact? People say that's far-fetched, but it has happened. Where did HIV come from? It was unknown in the human population 30 years ago. It seems to have transferred across from monkeys. We don't know how; it was a very rare genetic event, probably, but it adapted very quickly to us."

In Australia, there have been two deaths of people who have caught a measles-like disease from horses which have been suffering from a disease resembling distemper. Some forms of influenza come from pigs, such as the great flu epidemic of 1919." The trouble with Professor Onions' new experiment, he says, is that the check for the retrovirus's expression cannot be comprehensive. It may only need to happen once to be catastrophic.

This takes the debate into that of balancing "acceptable risk" against "possible harm" – an area where it is almost impossible to get agreement between those such as

Imutran, eager to realise commercial potential of xenotransplants, and critics who want to know everything about the science behind the topic.

The whole enterprise might be overturned by some odd physiological facts about pigs. Professor Mark Walport, of the Royal Post-graduate Medical School in London, explains why pigs don't get gout. "They have an enzyme which breaks down uric acid into soluble products. Humans have lost this enzyme at some point in our evolution. That means pigs' kidneys aren't used to filtering blood containing uric acid. But we excrete 50 per cent of it through our kidneys. How would a pig's kidney cope?"

Similar unknowns may lurk in the heart, liver and bone transplants between species will never be a reality because of the complexity of the processes that livers perform. There is a mountain to climb before xenotransplants to humans become reality. "I hope something will go ahead in the long run," says Professor Weiss. "I just think that we shouldn't run before we can walk." Or, indeed, trot.

technoquest

Questions and answers provided by Science Line's Dial-a-Scientist on 0345 600444

Q Will ice caps melted by global warming raise sea levels in the next century?

A Present forecasts put the rise at about 60cm by the end of the next century – but that is expected to be due to thermal expansion of water already in the oceans. Ice caps are not expected to melt significantly until later in the 21st century.

Q As ice is less dense than water, surely the sea level would fall if the ice caps melted?

A Melting ice in the Arctic, which floats in the ocean, would not affect the sea levels. But ice in the Antarctic is on top of a large piece of land: melting it would raise the sea level. The volume of ice in the Antarctic is 30 million cubic kilometres and accounts for more than 90 per cent of all fresh water on Earth. If this melted, sea levels would rise so much that Big Ben would be under water.

Q When a cat gets fat, do its whiskers grow longer?

A No. The length of a cat's whiskers are set genetically. If a cat grows fat, the whiskers become too short to be useful as "width guides". The cat could get stuck if it tries to squeeze through a hole that its whiskers tell it it can get through.

Q Can you use a yo-yo in zero gravity?

A Not properly. Gravity-reliant tricks such as "walking the dog" would be tricky, and "cat's cradle" would be impossible, but you could make the yo-yo leave and return to your hand by flicking your wrist. What would be bizarre would be the fact that the yo-yo could go up and down the string in any direction. It would move quite slowly, and whether it would spin is debatable. If it didn't get it to roll back up again would be tricky due to lack of tension in the string.

Q Do bald people get dandruff?

A Yes. Dandruff is caused by bacteria, yeast and fungi on the scalp, and these can live without hair. However, dandruff is more common in people with hair, as it helps trap heat and water, providing ideal living conditions for such bugs.

You can also visit the **technoquest** World Wide Web site at <http://www.campus-bl.com/CampusWorldPub/ScienceNet>

Questions for this column can be submitted by email to christ@bbs.org

theoretically...

Did the 1997/8 budget for science, announced last week by the Department of Trade and Industry, go up or down? It depends on who you listen to.

The DTI says that the figure of £1.33bn is an £18m cash increase over the previous year. Most of that is new money – £17m – allocated to research into BSE and CJD.

But Save British Science, the pressure group, points out that to maintain the real value would have required a cash increase of about £32m. Simple maths suggests that this makes the budget announced equivalent to a £14m funding cut.

The row, however, may be rendered academic by the general election and consequent changes in public spending.

BSE isn't caused by misshapen PrP proteins, claims a French team of researchers. Their surprising result follows experiments in which BSE-infected material was injected into lab mice.

About half of the mice did not have the protein in their brain at death; but the disease could be passed on by inoculating extracts from those brains into other mice, said Corinne Lasmezas of the French Atomic Energy Commission's research labs.

While not demolishing the "prion" theory, the work will reinvigorate those who claim that the theory is fallacious, while antagonising its supporters. Expect pitched battles in the journals.

Hepatitis vaccination could one day require a visit to the grocer. A team in Japan intends to grow genetically engineered tomatoes that would express the antigen (the protein that stimulates the immune response) to hepatitis B. They have already produced tobacco plants whose leaves contain the antigen, and which can be used to test for infection in humans. The next step? The edible vaccine.

Abysmally black and lifeless filled only with a soup of sub-atomic particles: no, not your least favourite seaside resort, but our very own universe in the distant future. The very distant future, that is. The lifeless existence described at last week's meeting of the American Astronomical Society by astrophysicists Fred Adams and Greg Laughlin won't start until the year 10¹⁰⁰.

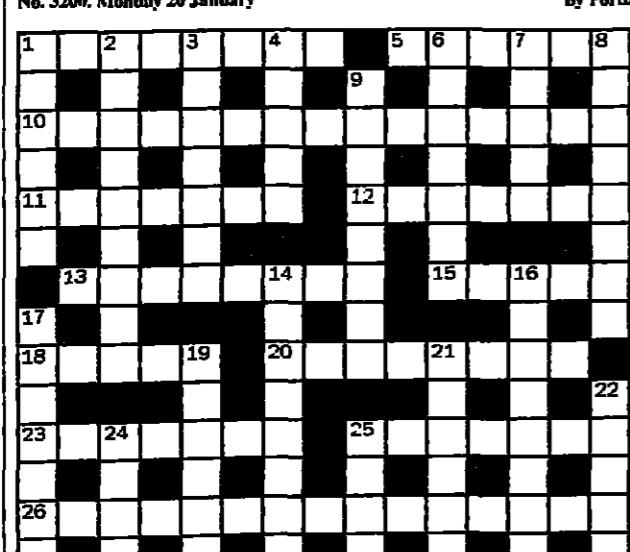
However, it does suggest that the universe won't head towards a "Big Crunch", but will keep expanding and cooling. Plenty of time to visit Blackpool first, though.

A mild correction to last week's article on fusion. The wrong conversion rate was used to derive the sterling equivalent of the euro. The Joint European Torus (Jet) project points out that the total spending on fusion projects in Europe has been about 4.4 billion euro over the past 10 years – equivalent to about £3.5bn, not £2bn as reported.

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By Portia



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